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THURSDAY, MAY 20, 1954

A Client Without Accident Insurance Is Like...



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When a catcher gets behind the plate, he carries a well-padded mitt to take the sting out of those fast balls and tricky sliders. He knows his career would come to a rapid end if he tried to catch 'em bare-handed.

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THE TRAVELERS INSURANCE COMPANY
Hartford, Connecticut

The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

58th Year, No. 20
May 20, 1954

Outlines Policies of Providence Washington

Carr Letter to Employees Gives Philosophy of Revised Management

There has been a good deal of interest in what is going on at Providence Washington, where the executive family has undergone substantial changes in recent months. In the following letter to employees of the group, Roy E. Carr, executive vice-president, sets out in detail what has happened and the course which the companies have set for themselves, their employees and their production forces. George Slater is first vice-president and Walter Perry, vice-president. Mr. Carr's letter is given in substance herewith:

We have thought it wise to advise employees of the policy of the new management of our companies so that each of you will, in a general way, know something of our thoughts and aims. We feel that only in that way will we get the full cooperation of everyone in this organization. This cooperation we earnestly ask.

With this letter, we are sending to you a copy of our financial statement for 1953. This statement shows that we lost money and that the year 1953 was not a satisfactory one. Nevertheless, your companies are in a strong, sound, financial condition. The assets of the companies have been invested conservatively and our portfolio of holdings will pass, we believe, the most critical analysis.

Not only for 1953 but for a few previous years, your companies have incurred an underwriting loss. This underwriting loss has been due to:

1. Too high an expense ratio.
2. A loss ratio which has been, in some departments, above the national average.

We have taken steps to correct our expense ratio and we will take further steps. I shall outline below the steps we anticipate taking to better our loss ratio. We believe that many of the things that have been done in the past have been perfectly sound but that we have gone too fast for our size.

Claude R. Branch, chairman, is the chief executive officer of the companies. He is not regularly in the office and the normal flow of business will be through the full-time officers. George Salter, Walter Perry and myself have formed a policy group and we meet every morning and discuss our problems and, as a group, arrive at decisions. Mr. Branch is kept advised of these decisions and, in some cases, we get his approval before putting the decisions into effect. This does not mean, in any sense of the word, that your companies are being run by a committee, but they are being run on the basis that three minds are better than one.

As to integrity, Providence Washington has always been spoken of as a

Texas Mutual Decision Comes as Climax to Pave Way for Changes in State's Laws

Non-Assessable Policies Upheld, Court Criticizes State Laws, Supervision

Texas court of civil appeals at Austin has unanimously held that the receiver for Texas Mutual had no right to levy an assessment against the non-assessable policies of that company. This reverses the decision of Travis county district court and probably brings to conclusion a case which has attracted national interest.

The appeals court decision criticized the Texas board of insurance commissioners as "having apparently failed" to determine the true condition of Texas Mutual when it was organized and when it applied for the right to issue non-assessable policies upon the representation of having \$200,000 in free surplus.

The circumstances in the case were that Texas Mutual in order to issue non-assessable policies as a multiple line company had to have \$200,000 in surplus. The financial statements were accepted by the commissioners and a report of the examiner of the department showed surplus to be well above \$200,000. Later it was indicated that the amount of surplus was misrepresented. Because the company never had the amount of surplus required, attorneys for the receiver held that Texas Mutual never had the power to issue non-assessable policies and therefore, they were subject to assessment when the company was forced into receivership.

The title of the case is Bryce C. Moreland et al vs. Will G. Knox. Moreland was a policyholder of Texas Mutual, and Mr. Knox was the receiver.

The opinion of the court as written by Chief Justice Roy C. Archer was mild in its comments concerning the practices of Texas Mutual and the activities of the commissioners in com-

(CONTINUED ON PAGE 33)

Expect Smooth Road for Reform Program Slated for 1955 Legislature

Reform of the Texas insurance laws is almost certain to result from the concentrated publicity the insurance business there has received as the result of the failure of Lloyds of North America of Houston and the bitter criticism directed at the laws and the enforcement of them in the Texas Mutual case.

A detailed study of the insurance code, with special attention to closing loopholes in supervision of company finances, is scheduled for early June by the Texas legislative council. Lt. Gov. Ben Ramsey is council chairman. He has invited the insurance business to submit suggestions for remedial legislation in an effort to "help sweep its ranks clean of parasite concerns which feed off the savings of Texas policyholders." The council is to submit its recommendations to the 1955 legislature.

Mr. Ramsey has already come out with four suggestions of his own for curing some of the weakness in the Texas laws, and Garland Smith, life commissioner and chairman of the Texas board of commissioners, made six suggestions for revision. Mr. Smith issued a statement agreeing with the statements of the court in the Texas Mutual case that it has been too easy for companies to organize in Texas.

Executives of the major Texas companies are understood to be making preparations to assist in overhauling the laws. It is understood that most of the company people have welcomed the climax of criticism as paving the way to making reform easy.

Thomas R. Mansfield, president of Gulf, told a NATIONAL UNDERWRITER representative:

"We welcome the turn of events that
(CONTINUED ON PAGE 32)

Late News Bulletins . . .

April Fire Losses Rise 15%

Fire losses in the U. S. in April totaled \$77,933,000, according to National Board, a 15.7% increase over the same month a year ago. For the four months, losses totalled \$328,175,000, an increase of 9.3% over the like period a year ago.

Bureau Working up A&H Code of Ethics

The governing committee of Bureau of A&H underwriters, was scheduled to meet in New York this week to develop a code of advertising and sales ethics.

Employers Names Hemenway at Philadelphia

Employers group has appointed Loring Hemenway special agent in the Philadelphia area of the middle department. He has been with the group in the underwriting department at Philadelphia since 1932 and is a merchant marine veteran.

Bohlinger Upheld on Right of Real Estate Veto

The appellate division of the supreme court of New York has upheld in a three to two decision the authority of insurance superintendent Bohlinger in refusing to approve Guardian Life's acquisition of real estate in White Plains and use of it for home office facilities. Since the law on which Mr. Bohlinger made his decision and under which the Guardian Life suit was brought applies

(CONTINUED ON PAGE 38)

North America Writing Blue Chip Big Dwelling Cover

Buildings, Personal Property Given All Risks Treatment in Single Contract

PHILADELPHIA—North America has introduced an all risks dwelling and personal property policy which goes considerably beyond other offerings in the currently turbulent field of dwelling packages and broad forms. The new contract, known as the combination property policy, has been approved in Pennsylvania and filings are pending in a number of other states. It is expected to be a "blue chip" line. An extensive survey will be involved and it is understood agents will be instructed not to offer lines involving dwellings worth less than \$25,000 and personal property worth less than \$10,000.

The policy provides coverage on dwellings and outbuildings on a valued basis, i.e., with the amounts of insurance as agreed values. The company has the option to repair or replace. There is a section of coverage devoted to "special" personal property—securities and money, property of guests and servants and unscheduled jewelry, watches and furs. Valuable personal property may be scheduled. "Special" personal property and scheduled personal property, as well as unscheduled jewelry, watches and furs, are also covered on an agreed amount basis. Other unscheduled personal is insured on an actual value basis, i.e., with depreciation deducted.

A \$50 deductible applies to all losses except total destruction of the dwelling or outbuildings, loss or damage to personal property of guests or servants and scheduled personal property. There is no provision for removing this deductible. Credits for higher deductibles, up to \$500 are allowed.

There are extensions of the dwelling amount covering rental value of the portion of the residence rented to others or held for rental or, if applicable, additional living expense. A limit of 5% of the dwelling amount applies to the total of such losses in any 30 day period, with a total limit of 20% of the dwelling amount. This extension, though tied to the dwelling amount, applies to additional living expense or loss of rental value in connection with damage to outbuildings as well as the residence.

The policy excludes vehicles licensed for road or air use, live animals, birds or fish (unless covered by endorsement) and unscheduled property pertaining to the business or profession of the owner, except professional books and instruments. It does not cover boats of any kind. There is the customary inland marine type of war risks and atomic fission exclusion, and other excluded perils are wear, tear, gradual deterioration, moth, vermin, ter-

(CONTINUED ON PAGE 34)

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Vincent Takes Over Texas Agents' Helm; Ellis Moves in Line

Fort Worth Annual Draws 1200, Program Features Timely Talks

FORT WORTH—Joe Vincent of Bryan was elected president of Texas Association of Insurance Agents at its annual convention here. He succeeds Forest Pearson of Austin. Registration exceeded 1,200.

Porter Ellis, Dallas, was named vice-president and Drex G. Foreman was reelected for his 30th year as executive secretary. New directors are Ray P. Lewis, Taylor; J. F. Hickman, Paris, and Marion Sanford, Lubbock.

Mr. Pearson in his presidential report said he is a bit vexed with the idea that everyone is so concerned with saving the American Agency System. "Personally," he said, "I am only concerned with the welfare of the American agent; the companies can have their system."

Mr. Pearson said he doesn't understand why "you and I need be so upset about a system that does little more than put limitations on the conduct of our operations—other than it helps to create order in an otherwise rather disorganized industry." Some of the misgivings that have been expressed might apply to the system, but he said he does not believe they need apply with any degree of sincerity to the agent as such. "Our principals, who in fact are supporters of the system," he went on, "might well look to see if they are not perhaps strangling or permitting to be strangled the very fruit on which they subsist."

Mr. Pearson said it is not difficult to remember when it was common practice for companies to sell direct to the public exclusively, through salaried employees. As the nation and these companies grew, it was found they could not afford full-time representatives in all communities, and so the agent was born. The companies quickly found him to be an inexpensive and efficient way of making their merchandise available. Even the mutual companies found it advantageous to embrace the "system". There are myriad examples that the agent as a distributing-selling facility is well-founded and thoroughly grounded, whether it be television, tires, insurance, automobiles, transportation, rental, supplies, or what not.

Though the agent is not in jeopardy, Mr. Pearson said, it is quite possible the bells are tolling for the system which has banded them together in such a fine way. Those bells are tolling, he said, because the companies "that we have so long supported are wondering if we have earned our keep and are deserving of the hire."

Mentioning some of the misgivings commonly voiced, Mr. Pearson said some wonder if the agent earns his commission, saying a three cent stamp will do the job as well. Others ask if the agent's duties couldn't be done as well from the home office, or whether insurance should not be put on a cash basis, or why it should not be sold at net cost, leaving the agent negotiate as best he can for his fee.

Though fine sounding suggestions,

Inspection Bureau Leaders Fete Hobbs on His Retirement

Russell D. Hobbs, who retired May 1 as general manager of Western Actuarial Bureau, and who resigned May 12 as secretary of Bureau Managers Conference, received a glowing tribute from his bureau associates at a testimonial dinner last week in Chicago.

Nearly 50 members of Bureau Managers Conference attended, and all the executive staff of W.A.B. were on hand, and there were five or six retired bureau managers who made the trip to give Mr. Hobbs a nice send-off.

Elmer F. Reske, manager of Cook County Inspection Bureau, president of the conference, acted as toastmaster. The four persons called upon to comment about their association with Mr. Hobbs all had worked with him through the years, going back as far as 1915.

Charles J. Lund, retired manager of Fire Underwriters Inspection Bureau, referred to Mr. Hobbs as a man who belongs to the bureaus and whose door was always open. John F. Lee, head of the Tennessee bureau, speaking for the younger managers, said he has never dealt with a more considerate person. Mr. Hobbs never gave a promise on which he didn't deliver, and he always had confidence in his men.

Kent H. Parker, manager of W.A.B., who received his principal training from Mr. Hobbs, recalled that Mr. Hobbs always took time to help a young man who was trying to learn the business. He had the patience to go over mistakes. He provided an inspiring leadership, Mr. Parker said, and was single-purposed in his efforts for the business and W.A.B.

With the use of especially drawn up slide films, Richard E. Verner, fire prevention department manager of W.A.B., did a take-off on the "This is Your Life" TV show in honor of Mr. Hobbs. Mr. Verner remarked that he has worked with Mr. Hobbs for 32 years, and Mr. Hobbs is one of the pioneers in fire protection work, giving cooperation and encouragement to this activity since its inception.

The conference presented Mr. Hobbs with a check, a testimonial scroll from the bureau people attending, and a miniature suit case covered with stickers of the places in Europe Mr. Hobbs intends to visit on his forthcoming trip with Mrs. Hobbs. P. W. Terry,

(CONTINUED ON PAGE 27)

Fla. Agents Elect McKay, Hit Business Self-Insurance

Florida Assn. of Insurance Agents at its golden anniversary convention in Jacksonville elected Richard McKay of Tampa president, Donald Bolton of Jacksonville and Finley Cannon of Gainesville, vice-presidents and L. P. McCord of Jacksonville, state national director. Mr. McKay is the son of J. C. McKay of Tampa, one of the association's founders.

New directors are John Campbell of Crestview, William Queen of St. Petersburg, J. Innes Subers of Miami and Andrew Carroway of Sanford.

About 675, an all time record, registered for the jubilee affair. Retiring President Sidney A. Singleton of Orlando in his report warned agents that self-insurance programs adopted by trade organizations constitute a dangerous and serious problem for the local agency system.

Highlights of the Week's News

New York mutual agents elect Parsons at Syracuse meeting Page 7
Complete Agenda for NAIC Detroit convention given Page 8
Commissioner Maloney of California comments on A&H in light of public criticism Page 11
Florida agents hear Cahill of National Bureau describe lower expenses of specialty writers Page 18

Policies of Providence Washington outlined to employees in letter from Roy E. Carr, executive vice-president Page 1

Texas Mutual decision upholds non-assessable policies, sets state for insurance law reform Page 1

North America writing blue chip dwelling cover Page 1

Allstate approved for fire in Michigan Page 15

L. H. Grinstead elected president of Insurance Federation of Ohio Page 15

Texas agents elect Joe Vincent of Bryan president Page 2

Russell Hobbs feted by Bureau Managers Conference Page 2

Richard McKay of Tampa elected president of Florida Assn. of Insurance Agents Page 2

Iowa agents at Des Moines convention elect Robert A. Brown as new president Page 2

NAUA reelects officers at annual meeting Page 10

Empire homeowners policies adopted by Transportation Insurance Rating Bureau Page 10

George Rapp agency in Chicago is sold to St. Paul F. & M. Page 23

Robert L. Callis of Aetna Casualty tells Zone 2 commissioners he sees no reason for optimism in future of auto insurance costs Page 13

Position of National Fire on modern merchandising of automobile insurance told by R. E. Farrer in talk at Hartford Page 5

Warning on dangers of rate war voiced at Florida agents' meeting by E. J. Gallagher of Travelers Page 9

Jaffe agency forum on dwelling covers attracts big crowd in New York Page 21

Iowa Agents Discuss Renewal Ownership, Direct Writing

Brown Named President; Make Many Resolutions, Propose Company Changes

DES MOINES—Robert A. Brown of Waterloo was elected president of the Iowa Assn. of Insurance Agents at the annual convention here to succeed Paul Cheyney of Glenwood. Mr. Brown, who the past year was vice-president of the association, entered insurance in 1935 at Waterloo and formed his own agency in 1937.

Named as vice-president was Charles J. Smith of Des Moines. Other officers elected included: H. A. Nelson, Council Bluffs, treasurer; William C. Brunk, Ottumwa, state national director; and Robert J. Dolezal, Carroll, Robert D. Cline, Des Moines, and D. H. Hudson, Iowa City, executive committee members.

One of the principal topics of discussion consisted of agent commissions and among the large number of resolutions adopted were several which condemned any plan of operation by any company which would jeopardize the right of ownership of renewals by the agent.

One reason for the agent commission discussion was the announcement made only several days earlier of the forming of the Erie Ins. Co. by Hawk-eye-Security group of Des Moines to offer a non-continuous six-months policy in competition to the direct-writing companies. The Erie company will bill the policyholders, but the agents will receive the commissions.

Most of the discussion took place off the floor, with a large number expressing concern over the amount of business being obtained by the direct-writing companies and likewise showing a concern over the amount of commissions being paid by the companies.

Another resolution adopted struck out at "certain companies seeking to build up large agency forces within the state and appointing many part-time and poorly qualified insurance agents to the extent this practice has resulted in a detriment to public interest and caused an excess of agents in some section of the state." The resolution urged that such companies reconsider and adopt the American Agency System.

Also, a resolution was aimed at automobile dealers selling insurance, although they were not so named. Opposed was the practice of "tie-in-sales" on the grounds the public is suffering by virtue of inadequate and faulty coverage. The resolution urged that appropriate legislation be enacted to provide that sale of insurance should be consummated and handled by properly licensed and qualified insurance agents.

The association came out in support of having driver-training courses in



William C. Brunk



Some of the principals at the dinner last week honoring Russell D. Hobbs, retired manager of Western Actuarial Bureau: From the left, Elmer F. Reske, manager of Cook County Inspection Bureau and president of Bureau Managers Conference, hosts at the dinner; Mr. Hobbs; Kent Parker, the manager of W.A.B., and Harvey Snediker, assistant manager.

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Timetable Given for NAIC Detroit Meeting June 7-11

The hour-by-hour program of committee meetings and plenary sessions, and the topics that are to be taken up, are listed for the annual meeting of National Assn. of Insurance Commissioners, scheduled for June 7-11 at the Statler hotel, Detroit.

Matters exclusively of interest to life insurance persons are not included.

Monday, June 7.

9 a.m. - Subcommittee fire safety standards and specifications for hospitals, old folks homes, maternity homes, and nursing homes, chairman, Sheehan, Minnesota.

Subcommittee security or insolvency funds, chairman, Smith, Texas.

Subcommittee standard classification of fire occupancy hazards, chairman, Navarre, Michigan. (1) To continue discussions of meeting Nov. 30, 1953.

Subcommittee valuation law amendment, chairman, Maloney, California.

10:30 - Plenary session, President Murphy, South Carolina, presiding.

11:45 - Presentation of Nebraska navy admirals commissions by Pansing, Nebraska.

1 p.m. - Subcommittee auto rates by driver classification, chairman, Mahoney, Maine. (1) Memorandum of joint industry committee.

Subcommittee multiple line underwriting, chairman, Maloney, California.

Subcommittee similarity of company names, chairman, Sullivan, Kansas.

2- Subcommittee examinations practice and procedure manual revision, chairman, Hooker, Connecticut.

Subcommittee to study enlarging the functions of assistant secretary's office and methods of financing, chairman, Taylor, Oregon. (1) Topical index, NAIC proceedings. (2) Cost recovering plan.

Subcommittee Blue Cross-Blue Shield, chairman, Leslie, Pennsylvania.

3 - Committee on insurance sales on U.S. military reservations, chairman, Martin, Louisiana.

Subcommittee to study extending multiple location rating plans to buildings and contents, as well as stocks of merchandise, chairman, Navarre, Michigan.

Subcommittee to study the question of re-insurance, chairman, Leslie, Pennsylvania.

Subcommittee to study rules and regulations governing sale of credit life and credit A & H (executive session) chairman, Sullivan, Kansas.

4:30 - Executive committee, chairman, Leggett, Missouri. (1) Constitution and by-laws amendments. (2) To study the question of re-insurance. (3) To study enlarging the functions of assistant secretary's office. (4) To study sites for future NAIC meetings. (5) Special subcommittee report. (6) Blanks committee report. (7) Audit report of assistant secretary's office. (8) Assistant secretary's report. (9) Committee list. (10) NAIC membership. (11) Executive committee report on meeting of April 5-6, 1954. (12) Federal government activities.

Tuesday, June 8.

9 a.m. - Blanks committee, chairman, Robinson, Ohio. (1) Report of blanks committee meeting April 5-6, 1954.

Unauthorized insurance committee, chairman, Gaffney, New Jersey. (1) Sales on U.S. military reservations committee report. (2) Mail order insurance in connection with U.S. senate judiciary committee matter, committee report. (3) Undesirable practices of unauthorized insurers.

10:30 - Definition and interpretation of underwriting powers committee, chairman, Leslie, Pennsylvania. (1) Classification of fire, marine and casualty insurance. (2) Joint committee on interpretation and complaint. (3) Interpretation of nation-wide marine definition.

1 p.m. - Fire and marine committee, chairman, Bisson, Rhode Island. (1) 1921 standard profit formula. (2) Installment premium plan (New York).

Examinations committee, chairman, Bowles, Virginia. (1) Examinations practice and procedure, manual revision. (2) Examination manual changes.

2:30 - Casualty and surety committee, chairman, Allyn, Connecticut. (1) Automobile rates by driver classification.

Liaison committee, chairman, Larson, Florida.

4 - Fire prevention and safety committee, chairman, Cravie, Georgia. (1) Fire safety standards and specifications for hospitals, old folks homes, maternity homes and nursing homes.

Valuation of securities committee, chairman, Bohlinger, New York. (1) Valuation of securities.

Wednesday - June 9.

9 a.m. - Laws and legislation committee, chairman, Navarre, Michigan. (1) Security or insolvency funds. (2) Similarity of company names. (3) Uniform law for licensing insurance adjusters.

Workmen's compensation committee, chairman, Larson, Florida. (1) Valuation law amendment. (2) Workmen's compensation small policy economics.

1 p.m. - A&H committee, chairman, Martin, Louisiana. (1) Blue Cross-Blue Shield. (2) Requiring companies to make explanation in terms that can be understood by assured when denial of claim is made, (Indiana). (3) Is A&H advertising misleading, and if so, what can be done to remedy the situation? (4) Group re-

newals termination and rewriting, (Wisconsin). Interstate cooperation committee, chairman, Davis, Mississippi.

2:30 - Taxation and real estate committee, chairman, Holmes, Montana.

Uniform accounting committee, chairman, Lange, Wisconsin. (1) Uniform accounting. (2) Continuation of present expense groups. (3)

Definition of inspection expenses. (4) Definitions of acquisition, field supervision and collection expenses. (5) Disposition of report of the subcommittee of the industry uniform accounting committee on basis of allocation. (6)

Utilization of time study and unit counts in lieu of flat percentage loadings. (7) Jurisdiction of the NAIC uniform accounting subcommittee over cost analysis of other than insurance expense exhibit. (8) Use of insurance expense exhibit indications in rate-making.

4 - Rates and rating organizations committee, chairman, Taylor, Oregon. (1) Standard classification of fire occupancy hazards. (2) Multiple line underwriting. (3) Liability insurance statistical plans. (4) To study extending multiple location rating plans to buildings and contents, as well as stocks of merchandise.

Zone 6 meeting, chairman, Sullivan, Washington.

2 p.m. - Plenary session, Murphy, South Carolina, presiding. Presentation and discussion of committee reports.

Friday, June 11.

9:30 a.m. - Plenary executive session, Murphy, South Carolina, presiding. (1) Final action on committee reports. (2) Election of NAIC officers.

Standard Accident Names Two

Standard Accident of Detroit and Planet have appointed George E. Gilbert a field representative at San Francisco. Samuel Thompson has returned to the home office as a compensation examiner following military service.

**This America Fore Advertisement
is currently appearing in the following
national publications:**

★ THE SATURDAY EVENING POST ★ LIFE
★ TIME ★ NEWSWEEK ★ FORTUNE
★ NATIONAL GEOGRAPHIC

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There is no more lonesome feeling than to be among unsympathetic strangers—and in trouble. That's the situation when you have an accident far away from home and friends.

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Gives Mutual Agents' Views on Compulsory

National Assn. of Mutual Insurance Agents is opposed to compulsory automobile insurance, H. E. Uhler of Baltimore, president, told the New York association at its annual convention in Syracuse. The thoughtful automobile owner is also opposed to a compulsory law, he declared.

The continual pressure for compulsory auto legislation can be traced to the fact that it is politically good news-

paper copy, it is class legislation which attempts to saddle a responsible group with the burden of the irresponsible and it is a further stride towards socialism.

Why should the motor vehicle owner be singled out to be the whipping boy in the field of negligence, he asked.

He said he believed that when many of those who approve compulsory think of it they assume that all victims suffering injury or property damages from a motor vehicle accident will be paid, or that personally if they are in-

volved in an auto accident will not be to blame and therefore will be paid. Of course, everyone is not paid. Only the blameless driver is entitled to reimbursement for injury or damage. From the second assumption, that as an individual he will never be wrong and that he always will be paid, there can arise only dissatisfaction and an appeal for further legislation.

Outside the automobile field there are thousands of persons who are injured and killed every year due to the negligence of someone else. There is untold suffering, hardship and property damage resulting from negligence other than that involving ownership or use of an automobile. But there has never been agitation for compulsory insurance on public places, carnivals, circuses, public beaches, etc. What about compulsory comprehensive personal liability? He believes that compulsory auto is the first step toward socializing all losses due to negligence.

Panelists on Casualty Actuarial Society Card

At the Casualty Actuarial Society spring meeting in Lenox, Mass., May 24 the panel subject on rate regulation 10 years after the SEUA decision will have as participants Thomas O. Carlson, actuary of National Bureau of Casualty Underwriters; Harold E. Curry, vice-president of State Farm Automobile Mutual; E. W. Day, resident secretary, Lumbermen's Mutual Casualty, New York; and M. G. McDonald, casualty actuary of Massachusetts insurance department.

Cash Register Tape Held Enough Proof of Theft

The New York court of appeals has held that a cash register tape is a sufficient record, within the meaning of burglary policy, to support a verdict for a loss by theft. The suit was by Saks against Fidelity & Deposit. The higher court opined that the jury could properly have made the finding, implicit in its verdict, that the cash register tape for Dec. 10, 1949, which indicated sales for that day to have been \$117, constituted a sufficient record to support its verdict for loss.

To Honor Insurance Student

Automobile Claims Assn. of New York will make its annual presentation of \$25 to the outstanding student of Insurance Society of New York on June 15. Dean Arthur C. Goerlich, who addressed the monthly meeting of the association, said the school has acquired three films on sheet metal correction, produced by Motors Ins. Co., General Motors affiliate, and will show them June 3 in the main auditorium at 85 John street, New York City.

Revise Tex. Malpractice Rates

Physicians, surgeons and dentists professional liability rates in Texas have been revised. There is a 50% increase on rates for physicians and surgeons, and no change for dentists. In the coverage on miscellaneous medical professional coverages, some rates are increased, others unchanged and a few are reduced.

Joins ICT at Beaumont

Jack Coughlan, who for 20 years was a special agent in eastern Texas for General of Seattle, has joined Ins. Co. of Texas as special agent at Beaumont.

Springfield Assn. of Insurance Agents on May 19 conducted its annual golf party and picnic at Oakcrest Country Club, east of town. Approximately 200 were expected to attend this affair—agents, field men and company executives. Dwight H. O'Keefe, Jr., was chairman.

N. Y. Probing Tight Municipal Cover Market

The committee authorized by the legislature to study problems of New York communities obtaining municipal liability protection now is being constituted. Rep. Rulison of Onondaga county (Syracuse), a Republican, is chairman. The legislature voted \$25,000 for an investigation into the cost and extent of municipal liability. City, village and town officials have found it increasingly difficult to purchase insurance and losses are increasing.



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Gives Position of National Fire on Modern Merchandising of Auto Cover

The talk by Richard E. Farrer, secretary of National Fire, before Casualty & Surety Assn. of Connecticut, at a meeting in Hartford, is regarded as expressing to a considerable extent the position of National Fire on what some of the leaders in the agency field term the issues presented by the automobile insurance plan of Fire & Casualty Co. of Connecticut in Florida.

Mr. Farrer pointed out that 8 million automobiles are insured with three non-agency companies, or 14% of all registered motor vehicles. These three have introduced modern merchandising into the business. They have made price, as well as quality and service, a factor in the sale of insurance. They constitute a market, by their own admission, of careful drivers associated together for low net cost protection.

He discussed how this happened in the past ten years when per capita income and prosperity have been at an all time high and when the American agency system attained its fastest growth, widest scope and greatest effectiveness. It was in this time also that automobile liability insurance became more necessary than ever with enactment of financial responsibility laws.

Automobile insurance today is a commodity, he said. It is purchased by an enlightened public whose knowledge of automobile insurance is steadily improving. Price of automobile insurance has become more of a factor due to the increasing competition of other goods and services for the consumer's dollar.

Traditionally agents have sold automobile insurance on a charge account basis with little or no emphasis on price; and they have done a good job of selling the value of agency service. By this method agents have recorded, accounted and paid for this business to their companies by their own varied and sometimes unique individual methods and procedures. At the home offices of their companies, the recording and accounting procedures are done again in order to reconcile the individual agent's recording and accounting reports into the uniform accounting required by the various states. Thus the recording and accounting for business is done twice as two separate and distinct operations.

Why must auto owners have to go to the non-agency companies to get the benefits of a cash and carry transaction and streamlined procedure, he asked. Why shouldn't agents provide the same facilities for those who want it, yet still continue to provide their traditional and time-honored charge account plan for insured who may prefer an annual policy, flexibility in payment of the premium, and the ease of procuring a policy without completing a detailed, signed application?

Now agents can merchandise automobile insurance, too. Modern merchandising of automobile insurance does not necessarily have to be limited exclusively to non-agency companies, he said. Agency companies and their agents can provide auto owners with streamlined automobile protection and the plus value of agency service, without doing violence to the American agency system. A market for this type of automobile insurance has been developed for agents by plans similar in

nature to the policyholders service plan as filed by Fire & Casualty of Connecticut in Florida. This plan enables agents to compete with the modern merchandising, non-agency companies without surrendering ownership of expirations, control of renewals and direct contact with the policyholder

for billing and collections. Agents can now merchandise automobile insurance with less work for themselves for a definite savings in expense.

With a cash and carry method the \$2.08 average cost for collecting and accounting for an individual automobile policy is practically eliminated. The policywriting cost of 42 cents average is likewise removed from the agent's work load. At renewal time the average expense item of \$2.43 for underwriting is materially minimized because rate checking and rate computation, instead of being done by both

the company and the agent as is performed currently, can be done once by the company.

The doubling of the foregoing costs by the simple expedient of adopting a six months policy term for spaced payments makes such practice and procedure prohibitive, he said. By the regular traditional charge account method a new policy would still have to be issued every six months for delivery, billing, recording and accounting to the company. It is obvious that short-term policy periods must utilize

(CONTINUED ON PAGE 28)

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Kirkwood Advanced at Surety Assn. Meet

John L. Kirkwood was elected deputy general manager and secretary of Surety Assn. of America at the annual meeting in New York. E. Vernon Roth was reelected secretary. Representatives of 74 insurers attended.

Elected to the executive committee were Aetna Casualty, American Surety, Commercial, Fidelity & Casualty, Fidelity & Deposit, Glens Falls Indemnity, Great American Indemnity, Hartford Accident, Maryland Casualty, Massachusetts Bonding, National Surety, New Amsterdam Casualty, Phoenix Indemnity, Standard Accident, and U.S.F.&G.

E. Kemp Cathcart, vice-president of Maryland Casualty, was reelected chairman of the executive committee and J. P. Hacker, vice-president of Standard Accident, was elected vice-chairman.

At the meeting of the executive committee following the annual meeting, members of the association's advisory committees were appointed and the following officers were reappointed for the ensuing year: Assistant secretaries, Elmer C. Anderson, John F. Fitzgerald, Philip T. Morehouse, Peter A. Zimmermann and William J. Zimmermann; educational director, David Porter, and actuary, N. M. Franklin.

Missouri Mutual Agents' St. Louis Program Completed

Three forum discussions will feature the meeting of Missouri Assn. of Mutual Insurance Agents at St. Louis, June 10-11. Agency problems will be the subject Thursday morning, with M. L. Landis, Van Wert, counsel Central Mutual, as moderator, and Russell Davis, Mansfield, vice-president Lumbermen's Mutual, and B. S. Stake, St. Louis agent, as panel members.

That afternoon, automobile problems will be discussed by Leonard Milstead and Leonard Kington, both of Equity Mutual of Kansas City, and G. Q. Coffelt, St. Louis, claims manager Lumbermen's Mutual Casualty. P. L. Baldwin, Washington, executive secretary National Assn. of Mutual Insurance Agents, will open the Thursday session, and M. E. Morris, Missouri revenue director, will discuss the state financial responsibility law. G. D. Haskell, Chicago, American Mutual Alliance, will be the luncheon speaker.

The Thursday session will close with the annual business meeting, and the film, "Closing the Sale" of Mill Owners, presented by H. E. Huddelson, Des Moines, vice-president of the company. The annual dinner that night will be preceded by a "Children's Hour" sponsored by Western Millers Mutual and United Adjustment.

Friday morning E. C. Jones, Mason City, assistant manager Iowa Hardware Mutual, and W. H. Rodda, Chicago, secretary Transportation Insurance Rating Bureau, will discuss broader coverages and the new inland marine "package" policies. This will be followed with a discussion of jewelry insurance, in which Messrs. Rodda and Jones will be assisted by an expert from a local jewelry firm.

N. Y. Blue Cross to Build

Associated Hospital Service of New York (Blue Cross) is planning a 10-story building adjacent to its present 17-story building at 26th street and Lexington avenue. Since the present home office building was acquired in 1947 the number of Blue Cross subscribers in the greater New York area has doubled. It is expected that the building will be ready for occupancy in September, 1955.

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Record Award in Death of Minor Is Upheld in Miss.

Mississippi supreme court has upheld a record \$85,000 jury award in the death of a 14-year-old girl. The majority opinion, in Sandifer Oil Co., Inc., vs. Dew et al., 3 CCH (Negligence 2nd) 523, took notice "that no case has been cited where a verdict for so large an amount has been upheld for the death of a minor child."

A driver of a gasoline transport truck for Sandifer Oil Co. connected a hose from his truck to a gasoline storage tank at Sayle Oil Co., Charleston, Miss. He started a motor on the truck which operated a pump which forced the gasoline into the storage tank. After checking the connection, he went into the service station and got a bottle of Coca Cola. He was in the station drinking it, leaving the truck motor running and the pump working when someone passing by saw that the gasoline was overflowing. Within a minute of the time this alarm was given, an explosion occurred, and puddles of gasoline which had formed from the overflow became ignited. Frances Dale Dew, 14, was passing on an errand for her mother. The force of the first explosion threw her into the gasoline and she became a veritable human torch. Although approximately 90% of her body was burned and the greater proportion of this consisted of second and third degree burns, she lived for a period of 99½ hours, conscious and in excruciating pain during most of this time.

The principal point argued by Sandifer on appeal was that the verdict was so excessive as to evince passion, prejudice and bias on the part of the jury.

The supreme court in affirming the finding of the lower court succinctly summarized the factors involved in placing a dollars and cents value on damages in such cases—viz., pain and suffering, loss of society and companionship, loss of earnings, punitive damages—and stated significantly, "If this decision sets a new precedent as to the amount of the verdict, it is merely because the damages proven have likewise set a new precedent." An additional \$5,000 was paid by the service station owner, who was not present at the accident and who was discharged from the suit.

National Surety Honors 15

Fifteen employees of National Surety have joined the company's quarter century group. President Ellis H. Carson presented pins and \$100 savings bonds at the annual dinner in New York City. The club now has 148 members throughout the country.

D. C. Auto FR Bill OK'd

WASHINGTON—The Senate agreed to House amendments to the District of Columbia auto financial responsibility bill, and sent it to the President. Principal House amendment permits a driver to retain his permit pending court appeal from suspension order against him.

Norfolk Figures in Suit

A suit has been filed in New York in which one of the defendants is Norfolk Ins. Co. of Panama, which has its principal office in Havana. The suit is against Serge Rubinstein, financier whom the government is seeking to deport, and charges fraud. The Blair Holding Corp. of New York is the

plaintiff and seeks \$5 million. The suit contends that the defendants conspired to defraud the holding company by inducing it to enter certain business transactions, including the purchase of 850,000 shares of Stanwell Oil & Gas, Ltd. of Canada. The Blair Corp. seeks to have the court require Rubinstein and the Norfolk to return the 850,000 shares of oil stock.

EC Time Element Rates Modified in N. H.

New Hampshire Board has notified agents and companies that extended coverage time element rates are responsive to the recent manual revision authorizing a reduction in the building fire rates 10% and developing time element rates for properties not specifically rated with agreed amounts. The EC time element rates on the same basis may be developed by using the published agreed amount extended coverage rates and not by reducing the EC flat rate 10%.

This follows the recent promulgation of a ruling by the insurance department that blanket rates may be used in New Hampshire, even though the state has a valued policy law.

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Agents Can't Meet Direct Writer Prices Except With Service, Intelligence

Nothing could be more suicidal to the American agency system as it is known today than a rate war, E. J. Gallagher, manager of Travelers at Jacksonville, cautioned Florida Assn. of Insurance Agents at its annual convention in Jacksonville.

To meet price with price requires a cheapening of the agent's product and a disillusionment of good, solvent and long standing insured. It is tempting but it must be remembered that if an agency sinks to the level of price selling, the competitor simply cuts his price further. It is a bit like cutting off the head to stop a toothache, he said. If agents are not doing a good job of selling high class merchandise and do resort to price selling, the unorthodox competitor, doing a good selling job, still has him licked. Price never sold anything.

But maybe it has, he went on. Soaring automobile liability rates have brought about a crisis in the family budget. It started with the rise in price of a new car from \$850 in 1939 to \$2,550 in 1954. When the insurance bill comes in, the family is ready to listen to a price conversation. For a class 1 risk the cost of comprehensive and \$50 deductible collision is about the same as it was in 1939, but today the car has a radio, heater and all sorts of gadgets so actually physical damage rates have gone down almost 66½% in many cases. Liability rates are definitely up, but people are carrying higher limits today, not 5/10, but 100/300 perhaps, with \$5,000 medical payments. The buyer is liable to forget this and is ready to trade price for financial stability and good local agency and claim payment service.

The people make the rates, not the insurance companies or the commissioner. In Florida the permissible profit in automobile is 2½% so companies may make as much as \$1.25 on a \$50 premium, if they can make it. If they don't make it, and they haven't for years, they just have to ride out the storm and wait for better days, he said.

The average agent makes \$10 on a \$50 policy that may stay in force for one year unless cancelled. It costs \$4 of the premium to run a claim department or hire the services of an independent adjuster. Taxes take \$1.55. None of these costs are reducible without doing one or all of three things, cheapen the company underwriting service to the public, resort to sharp claim practices, or cut the commission to the agent.

Insurers can begin a cheapening process through direct billing, direct collection of premiums, a colder attitude toward credit, a closer look at the borderline claim and a gradual elimination of the local agent.

But they don't want it that way. They are committed to a plan of operation that has made the business great, and would hesitate to kill off a system with such a tradition for the sake of a temporary advantage.

Agents are faced with a cold problem of hard-boiled price competition. Many an insured will never have a claim. He has no way to learn the difference between low-cost insurance and good insurance. He looks only at the quick saving of a few dollars.

The answer to this is salesmanship. Agents grew soft during the war years and have never felt the ruthless

price competition that rages continually in the field of tangible goods. They have ceased to use any vestige of a sales talk or any sort of planned sales campaign. All too often an agent calls on a 10x12 prospect with a 2x4 sales presentation.

Companies are partly at fault. They

have been taxed for facilities, they have been unable to train personnel fast enough to absorb the exploding Florida potential.

The denouement is that the cut-rater enters the scene, not just as a sidewalk merchandiser, but with sales personnel of young, hungry and aggressive men, trained in one line of patter: price.

To meet the competition, companies can cut the cost of doing business, mostly at the agent's expense, or the agent can do a better job of selling good merchandise in a businesslike

manner by making personal calls on customers and surveying a customer's requirements at each renewal date. Many insured have been lost because the agent has not been to see him in years. In short, the agent helped the cut-rater move in on his own accounts because insured began to feel the agent had moved out of his insurance life.

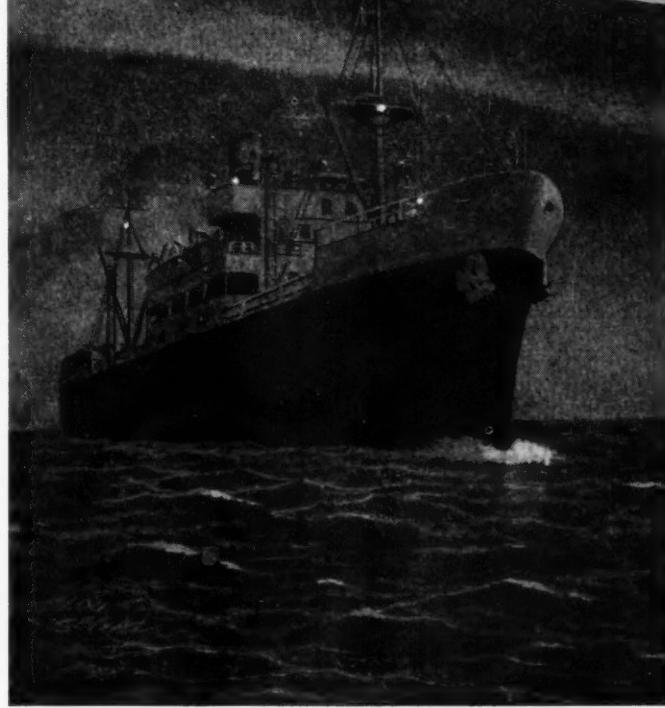
The lucky driver reward plan may have to come into being. Mr. Gallagher said he hoped it did not, for it is no panacea, only a headache. To make it

(CONTINUED ON PAGE 29)

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NAUA Reelects At Annual Meeting, Honors Ross Moore

NEW YORK—At its annual meeting here National Automobile Underwriters Assn. reelected W. B. Rearden of Fireman's N. J., president; Ellis H. Carson of National Surety and Fireman's Fund, vice-president, and A. C. Seymour of Royal-Liverpool, treasurer.

Directors at large, newly-elected, are Arthur F. Herman of Home, Tudor Jones of Aetna Fire, W. L. Nolen of North British, and George E. Peterson of Travelers Indemnity. New regional directors are G. L. Kerr of America Fore, east; W. B. Miller of American, Pacific coast; Manley Stockton of Hartford Fire, south, and Earl Gibbs of the Boston, west.

To honor the retired manager of NAUA the meeting was designated J. Ross Moore day. J. Victor Herd of America Fore, past president of NAUA, presented Mr. Moore an embossed testimonial on behalf of the association.

Though auto production declined toward the end of 1953 and beginning of

1954, Mr. Rearden believes there will be a good market for automobiles for some time to come. Estimated premiums for auto physical damage in 1953 are more than \$1,775 million, with the whole auto cover premium probably in excess of \$4 billion. This makes it by far the largest single class of fire-casualty cover.

Competition has stepped up in auto insurance, he noted. There are six months policies, continuous policies, automatic billing, merit rating plans, refined classifications, disappearing deductibles and other rating devices. Some are sound, some not. Those aimed at skimming off preferred business are not in the public interest. NAUA has proceeded cautiously and prudently, he believes, by adopting changes and innovations but at the same time preserving sound rating principles.

An intensive study has been made of the present NAUA fleet formula and though a final report is not yet available there has been considerable progress, he said.

A joint committee of senior company executives was appointed by NAUA and National Bureau of Casualty Underwriters to cooperate and achieve greater uniformity in manual rules and in meeting common problems, and cooperation continues at a high level, he said.

Eric Provost Heads Florida A&H Assn.

Eric Provost, Sarasota, was elected president of Florida Assn. of A&H Underwriters at the two-day meeting at Orlando. He succeeds Fred Schippert, St. Petersburg. Others elected were James D. Land, Orlando, and Nat Lions, Jacksonville, vice-presidents, and Robert Boyle, St. Petersburg, secretary-treasurer.

New directors are A. H. Callis, Orlando; Clair Pittman, Tampa; Jack Goldstein, Jacksonville; Earl Vinall, Daytona Beach, and Robert W. De Pau, Jr., Miami.

Principal speaker was Thomas Calahan, president of International Assn. of A&H Underwriters, who spoke on key man insurance. Others included Earl R. Bennett, Tampa, international board member; James D. Lang, Orlando association president; Harry A. Holstein, vice-president; Ivan Mitchell, Orlando, Central Florida association president; Sidney A. Singleton, Orlando, president of Florida Assn. of Insurance Agents; Thomas F. Corbett, vice-president of Central Title & Trust Co., and Mr. Schippert.

Mutual Bureau to Adopt Homeowners for Dwelling Field

Homeowners policies A and B have been adopted for use by members and subscribers of Transportation Insurance Rating Bureau, the mutual organization. TIRB members will follow exactly the Empiro setup. Policies, endorsements and rates have already been promulgated in California, and filings are being made in other states. It is contemplated that there will be filings in approximately 20 states for the present, with additional states to be added when the situation justifies it.

The homeowners policies of Empiro are on the package basis at an individual rate, including fire, EC, CPL, medical pay and theft. The B policy also covers AEC.

Until now, the mutuals have pretty largely been on the sidelines observing the rapid development in the dwelling field on the part of the stock companies. This is their first move of a significant nature in getting aboard the bandwagon.

Englehard Names Crowe Chicago Casualty Head

John H. Crowe has been appointed manager of the casualty department of Engelhard & Co., Chicago general agents. He has been in insurance for 25 years, starting at Chicago with Employers Liability, later going to National Casualty there. For 11 years he was in the head office of Zurich, after which he took charge of the casualty department in Philadelphia of United States Casualty before returning to Chicago.

Clark Is Aetna Fire Chief Accountant

George R. Clark has been named chief accountant of Aetna Fire group. He joined the agency accounting department in 1942 and was made supervisor of the general accounting department in 1953.

The local agency business of Ewing & Clarke, Seattle, has been purchased by John Marty and has moved to 1104 Third Avenue. Ewing & Clarke is restricting its operation to real estate and property management.

The Buffalo office of Standard Accident and Plan has been moved to new quarters in the Jackson building.

Frank Smith Resigns Lloyds Post in Chicago

Frank J. Smith has resigned as assistant vice-president and manager of Insurance Facilities Corp. of Chicago, a Lloyds organization operated there by the Oppenheimer agency of Kansas City.

Mr. Smith, who has not as yet announced his future plans, before going with Insurance Facilities about a year ago was with Stewart, Smith of Illinois, a Lloyds organization at Chicago. He had considerable insurance experience before that and at one time was a vice-president of the Kemper group.

Hold Employers Mutual Rally

The annual conference and school of Employers Mutual Casualty at Des Moines was attended by 175 of the company personnel. M. J. Wilkinson, vice-president and agency superintendent, presided, and talks were given by John F. Hynes, president; John W. Gunn, chairman and treasurer, and W. J. Hynes, secretary. Dr. R. O. Harvey, assistant professor of economics at the University of Illinois, talked at a luncheon on "Additional Sales for 1954."

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Maloney Gives A&H Men His View of the Business in Light of Current Public Criticism

Commissioner John R. Maloney of California in his address last week before the San Francisco A. & H. Managers Assn. compared the situation in the A. & H. business today with that which existed 50 years ago in life insurance just preceding the Armstrong investigation. While it is apparent that there are important differences between the nature of some of the activities of the life companies criticized 50 years ago and the activities of A. & H. companies presently undergoing public censure, Mr. Maloney said there is nevertheless a similarity that is striking.

Today, as then, the times are marked by expanding economy and increasing population; the A. & H. business has been growing rapidly and producing profits; the companies have been faced with problems incident to increasing agency forces and financing them; "and if the current unfavorable press reflects opinion—frankly I think it does—much public dissatisfaction with the A. & H. business exists possibly as a natural result of these factors."

Mr. Maloney, in whose state last year there were produced \$250 million in A. & H. premiums, listed these similarities between the life companies 50 years ago and the A. & H. companies today:

- a. Competition to improper excesses.
- b. High pressure selling by specialty non-servicing agents.
- c. High lapse rates.
- d. Questionable contract provisions and interpretation of contracts.
- e. Misleading advertising.
- f. High expense rates, field and home office, in acquiring and maintaining business.

The A&H business has attained its great proportion in a short period of only 10 years, and there have been growing pains, mistakes and misunderstandings. Unfortunately, there has also been "outright dishonesty and, perhaps, more than some unconscionable conduct or sharp practice."

Mr. Maloney said his opinion is that the business has been so busy collecting dollars that it has neglected its ethics and overlooked its public service purposes to such an extent that its standard of business morality was rapidly becoming simply that which the other fellow is doing or getting away with.

Managers in the field have a large part to play in the determination of the future of the A&H business, he added. It is the manager who selects the agents to sell policies and explain coverage. "If in your quest for business and to meet competition you hire the merchandise-hawker type of individual who was selling magic cleaning fluid on the street corner yesterday and will be punching doorbells, selling can openers tomorrow, and who boasts that he has finally tumbled into a sweet racket in the selling end of your business (some of you have indulged in that kind of recruitment) you can expect the public misunderstanding of the coverages of your policies to continue to mount to the point that governmental intervention will cease to be a threat and become a reality." The alternative, he declared, is careful selection and a sacrifice of quantity of sales for quality to establish a family of informed and satisfied policyholders with confidence in the integrity of the

agent, his company and A&H insurance as a private enterprise.

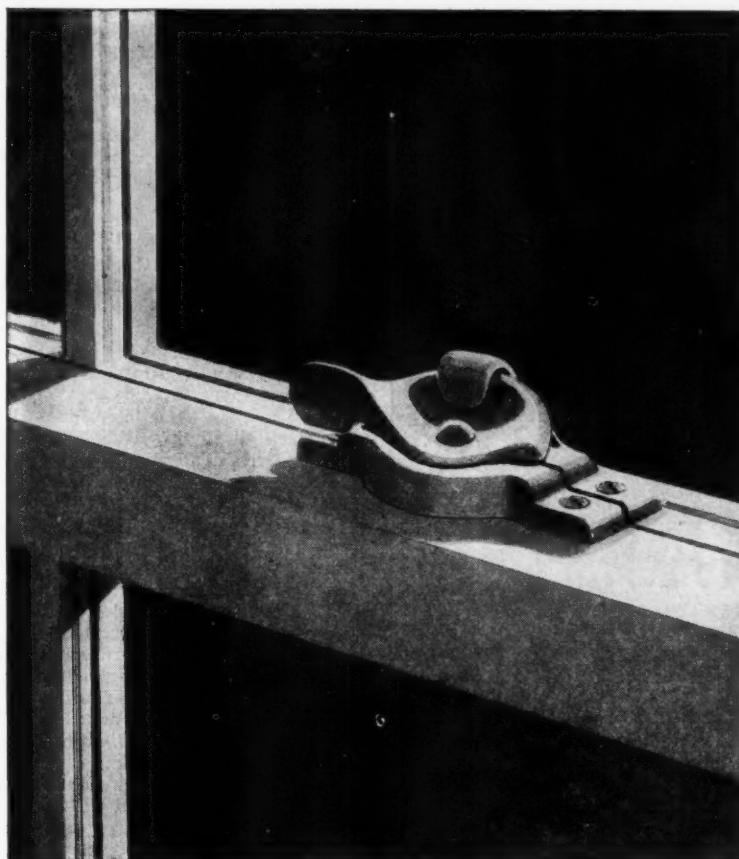
Managers also influence or control policy language and the interpretation and application of it in connection with claims. Public opinion concerning this language is that it is too legalistic and technical, Mr. Maloney observed. The average policyholder is not interested

in the niceties of technical distinctions, and he suggested a reformation is essential if the integrity of the business in the mind of the public is not to be destroyed. To say that the department's own policy approval standards are technical and legalistic is to disregard the fact that practically every one of the requirements finds its origin in the reliance of the companies on legalisms of which the policyholders were unaware until the time of claim. Policy approval standards will not become less technical or less legal before the

drafting of policies and the interpretation and application of them take the same direction.

Managers also have a share in the responsibility of establishing both underwriting and claims policy. Mr. Maloney criticized the idea of selling medical and hospital coverage to persons of advanced ages, in the 80's, coupled with a policy of strict interpretation of exclusion for pre-existing conditions. This is being done, he said, and it can only result in justified criticism of the business "as a racket—and a cruel one

(CONTINUED ON PAGE 34)



A good Line for Agents

... and to help you sell the Residence and Outside Theft Policy, American Surety is running a timely advertisement in business magazines . . . reprinted immediately to the left.

*and here's more!
sales help!*



"Mailroad to PROFITS"—this letter-size sales bulletin is mailed to our agents monthly. Each issue highlights a particular line; offers practical ideas to help them sell. The current issue features this line. "Mailroad" is typical of the valuable help American Surety agents receive from their Company. If you'd like to get further information and a copy of "Mailroad to PROFITS" just use the coupon below.

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Please send me additional information about your sales aids and a copy of the current issue of "Mailroad to PROFITS."

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But the fact is — any burglar who really wants to enter your home can do it in a matter of minutes!

To make sure your valuables are adequately insured — both at home or away — see your American Surety agent now!

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The new Plan Pays up to \$2500 Accident Medical Expense; up to \$7500 for Dismemberment; and \$1000 for Accidental Death. Covers while the student is a participant in school-sponsored and supervised, non-social functions, at or away from school. Also covers travel to and from home, school and certain extra-curricular activities. ALL SPORTS ARE COVERED with the single exception of inter-school football in grades nine through twelve.



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Liability Insurers Held for Claims in Boeing Plane Crash

The Washington supreme court has held that the public liability insurers are liable in the case of the Boeing B-50 bomber which crashed in August 1951 into an apartment building near the Boeing plant in Seattle, killing and injuring several persons and destroying and damaging considerable property.

The suit by Boeing was against four insurers to determine whether two product liability policies on the plane or two public liability policies were responsible to the liability involved.

The bomber was owned by the United States at the time it crashed. For several months prior to the crash, Boeing had been doing modification work on the plane pursuant to a government contract. Eagle Star and American Fidelity & Casualty had issued public liability policies on Boeing and Fireman's Fund Indemnity and U.S.F.&G. had issued products liability policies on Boeing.

The King county superior court entered judgment for Boeing against Eagle Star and American Fidelity & Casualty, dismissing the complaint against Fireman's Fund Indemnity and U.S.F.&G. Eagle Star and American F.C. appealed.

The two products liability policies were identical and obligated the insurers to pay damages because of accidents which occurred "after insured has relinquished possession to others and away from premises owned, exclusively rented or controlled by the insured" due to aircraft products assembled, repaired, serviced or distributed by insured. The policies did not apply to any aircraft in flight by or for the account of insured."

The two liability policies automatically attached and applied with respect to any aircraft owned or operated by or in the possession of insured but excluding products liability claims.

Under Boeing's contract with the government, a test flight of planes had to be made before the government would accept the plane with its modifications. It was on such a flight that the damages occurred. The supreme court ruled that a test flight of the plane by an air force lieutenant before acceptance by the U.S. did not constitute a relinquishment of control of the aircraft, and the liability insurers were held liable.

The parties to the suits stipulated that the two types of contracts are mutually exclusive.

The court's decision pointed out that Boeing undertook to modify the bomber and several other planes in certain particulars in accordance with a cost plus fixed fee contract. The government was to reimburse Boeing for the equipment and materials incorporated in the plane and for the cost of labor used in doing the modification work. The government paid Boeing from time to time 90% for the cost of materials, equipment and labor used for this purpose as the work progressed. But it retained 10% of the sums payable under the contract until completion and acceptance of each particular modification job. The fixed fee was not to be paid until all of the modification work on all of the planes was completed and had been accepted by the government.

Completion of the work and of the acceptance by the government of each plane modified under the contract was

indicated by a document called a material inspection and receiving report filled out and signed by a government representative for each plane as it was accepted.

On Aug. 10, 1951, Boeing considered the modification work completed, but the bomber had to have a test flight before acceptance. On the first test flight the pilot noted that No. 4 propeller ran up to 3100 RPM on take-off and would not reduce speed. A reflight of the plane was called after repairs were completed. It was on this second flight that the plane crashed.

The court points out that if the flight had been completed satisfactorily the plane would have continued in the possession of Boeing, with Boeing guards protecting it. Boeing would then have had to correct deficiencies, if any. At that point there would have remained to be done execution of the air force acceptance form, the signing of an inventory of property aboard the plane, the execution of a material inspection and receiving report, fueling the plane by Boeing for the delivery flight, and execution of a flight release. None of these things had been done.

The parties stipulated that the crash

(CONTINUED ON PAGE 25)

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Catlin Sees No Reason for Optimism in Future of Auto Insurance Costs

Why does automobile liability insurance cost so much and what is being done to keep the cost within the buying power of the average automobile owner? These are logical questions and the business must make every effort to answer them in a way which will arouse a growing interest and



ROBERT I. CATLIN

better understanding by the public, Robert I. Catlin, vice-president of Aetna Casualty, said at the zone 2 meeting of commissioners in Wilmington, Del.

Mr. Catlin noted the tremendous job insurers and agents have faced in handling the stupendous growth in automobile insurance. Ten years ago total auto premiums written in the U. S. were \$600 million. In 1953 the amount was \$4 billion, \$3 billion of it in stock companies.

Rates have steadily increased since the last war, he said. But they are not excessive in view of experience and existing conditions. In fact, in several important states they are definitely inadequate today, for example, in Illinois, where the five year loss ratio on auto liability, 1946-51, was 77.

"More and more we must urge the insurance departments throughout the country to demonstrate an open-minded policy concerning rate adjustments and equally important to demonstrate an increasing interest in any and all elements affecting the cost of auto liability insurance," he declared.

He emphasized the rising cost of settling BI and PDL claims. The average BI claim was \$300 in 1941, \$382 in 1947 and about \$600 in 1953, a 100% increase. In 1941 it cost approximately \$30 to settle the average PDL claim, in 1947 this was \$60 and in 1953 \$91, a 300% increase. Auto liability rates have increased about 400% since 1941.

There is growing evidence of courts being overloaded with cases involving litigation. There is a decided trend, particularly in legal circles, to consider auto BI claims from the standpoint of extent of injury rather than liability or negligence. The more one delves into this aspect of the situation and its bearing on the cost of auto insurance, the more one is likely to be pessimistic about the future, he said.

Inflation has materially influenced rate levels, but, he said, the fundamental reason for present high auto insurance costs is the increase in auto accidents and particularly the rise in severity. Apparently the line is being held on fatalities in traffic accidents,

but the number of accidents and personal injuries suffered in them steadily is increasing. Unless personal injuries are considered in measuring the trend, there is likely to be error in determining it. In New York state, for example, the ratio of personal injuries to fatalities was 40-1 in 1941 but 80-1 in 1953, a 100% increase.

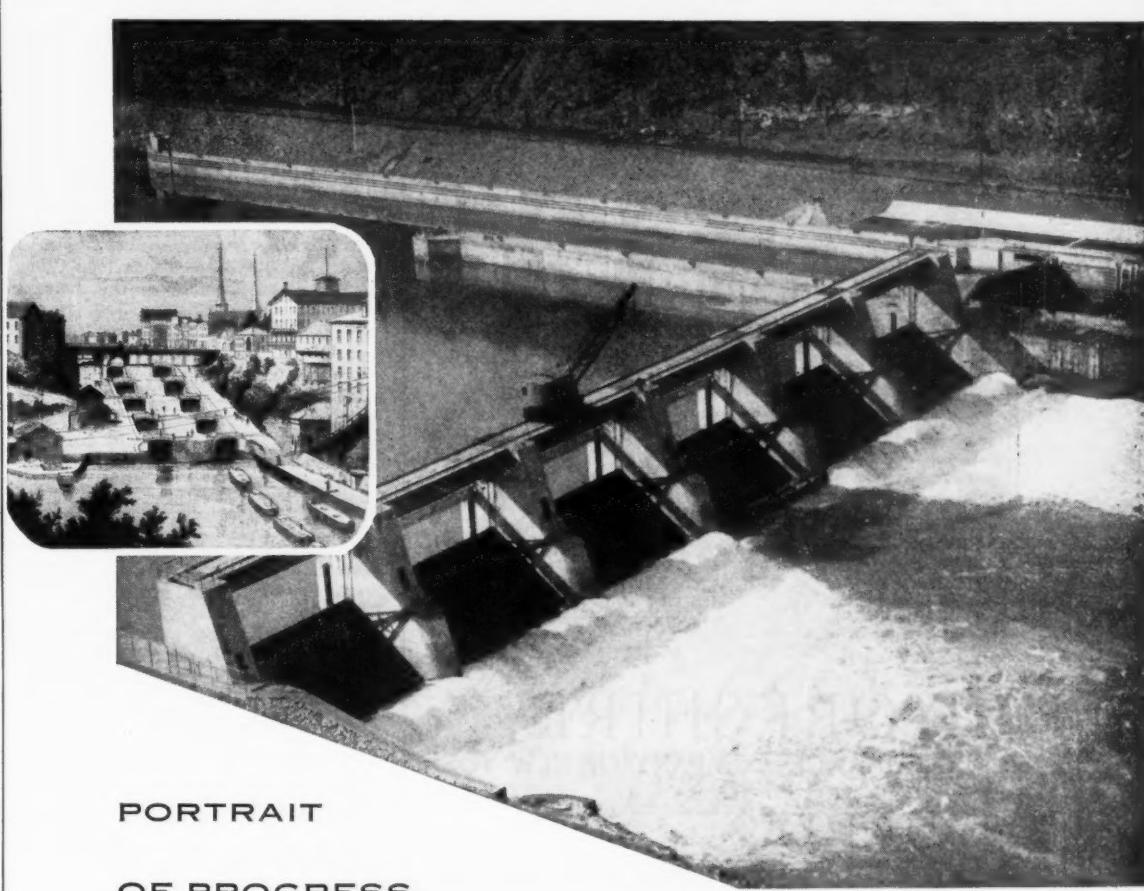
Economically, a serious personal in-

jury claim is more costly to settle than the average fatality, he added. There are 2 to 3 million cars and operators added annually to the highways, already inadequate for the 55 million autos and 69 million operators using them. Exposure to traffic accidents will increase for many years to come. Urban areas will continue to suffer from overcrowded streets and rural areas from increasing speeds.

He recommended a thorough study by states as to whether speeds now permitted are reasonable and safe in

light of growing evidence of congestion and inability of many operators to drive safely at higher speeds. Recent studies show excessive speed the controlling factor in 46% of all traffic fatalities. He emphasized the growing menace of the intoxicated driver. Many thousands of drivers are still operating whose licenses were suspended many times for this offense. Reinstatement follows suspensions all too soon, contrary to public welfare.

Greater emphasis must be placed on
(CONTINUED ON PAGE 24)



PORTRAIT

OF PROGRESS

On a cool and brilliant November morning in 1825, an elaborate aquatic procession completed its journey from Albany to the Sea, a keg of lake water was poured into the Atlantic and the cannon at Fort Hamilton announced the official opening of the Erie Canal, first of a long series of internal waterway projects destined to bring the production of our mid-west to the markets of the world.

As the nation's commerce grew and other waterways were developed, Chubb & Son acquired broad experience and knowledge of insurance requirements which enabled it to devise many of the features of present-day construction bonds. We are proud of our record of "Serving the Leaders" in this field of American Industry and Commerce.

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1824



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HE HAD LITTLE EDUCATION and began work in a retail store at age 14. He later studied law, and success came at an early age.

AGENTS ARE LEADERS . . . who join Hawkeye-Security and Industrial's great team. They build volume because always they get the best in home office cooperation.

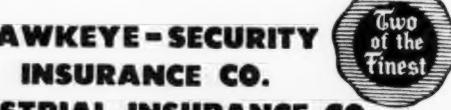
Comprehensive coverages . . . prompt settlement and every home office assistance build sales.



HE RAN FOR PRESIDENT three times but was defeated. In 1839 Clay, in speaking against slavery said, "I would rather be right than President."

**HAWKEYE-SECURITY
INSURANCE CO.
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Des Moines, Iowa



6 New Underwriters Adjusting Offices

Underwriters Adjusting Co., Chicago, in accordance with its policy of decentralizing its offices in the larger cities, has opened six new offices. Also several changes and appointments have been made.

George F. Keeley, assistant manager, has also been appointed supervisor of Illinois, succeeding the late Roger L. Brown. L. R. Arbuckle was named manager of greater St. Louis. He has been with the company since 1936 and for several years has been manager in Topeka. E. P. Brown becomes assistant manager in St. Louis, where he has been with the company since 1940.

Three of the new offices have been opened to serve Cleveland. The office at 3338 Warren Road will handle the western part of the city; G. E. Otte, who has been with the company 12 years, is manager. Southeastern Cleveland will be handled by the office at 3486 Lee road, Shaker Heights, and will be managed by William A. Spillard, with Underwriters since 1930. Northeastern Cleveland will be handled by the office at 18225-35 Euclid avenue, Cleveland, and will be managed by G. E. Rhodes, who has been with the company there since 1946.

Herman Williams has been appointed manager of the newly opened Overland, Mo., office at 3209 Brown road, which will handle the northwestern section of St. Louis county. Mr. Williams has been with the company since 1930.

G. G. McKinley, with the company since 1946, will manage the new office at 129 North York street, Elmhurst, Ill., which will handle Du Page county and the western suburbs; and in Waukegan, Ill., David P. Simms, who has been with Underwriters since 1946, will manage the office at 213 Waukegan Office building, which will handle Lake county, and the eastern half of McHenry county, both in Illinois.

American Auto Shifts Two on Pacific Coast

Edward G. Dinkelpiel, assistant claims manager of San Francisco for American Automobile, has been transferred to Portland as claim manager. Milo S. Bowers, Portland claim manager, goes to San Francisco as agency supervisor.

Mr. Dinkelpiel joined Associated Indemnity in 1931 at San Francisco, became supervisor of automobile claims in 1946 and assistant claim manager in 1950.

Mr. Bowers started in insurance in 1941 with Continental Casualty at the home office. After service in the navy during the war he joined American Auto as an adjuster at San Francisco. In 1950 he was transferred to Portland as claim supervisor, and later that year became claim manager.

Shiflette to General Agency

William Shiflette, III, has been elected vice-president and general manager of Southern Insurors of general agency of Fort Smith, Ark. He succeeds C. W. Clute, Jr., who has resigned to go into the mortgage business. Mr. Shiflette was formerly with Houston Fire & Casualty as state agent for Colorado and Wyoming.

G. S. Miller Pleads Guilty

LOS ANGELES—Gorham S. Miller, head of G. S. Miller Associates, managing general agents of Citizens General of Los Angeles, who was charged

with seven counts of grand theft by Commissioner Maloney, liquidator of the company, pleaded guilty to counts 1 and 2 of the charge, involving two checks totaling approximately \$7,500 in settlement of claims. June 10 has been set for a hearing on probation.

Mr. Miller was originally charged with 12 counts of grand theft in connection with the failure of Citizens General, in a total amount of \$167,000. On arraignment, the judge upheld the first five counts, dismissed the remainder and ordered new counts numbers 6 and 7.

Mutual Service Appoints Evans

Merlyn W. Evans has been named special agent of Mutual Service companies of St. Paul. He will supervise the training of agents in casualty coverages in the Wisconsin area. He joined Mutual Service in 1950 as general casualty underwriter.

CASUALTY SALES PROMOTION SUPERVISOR

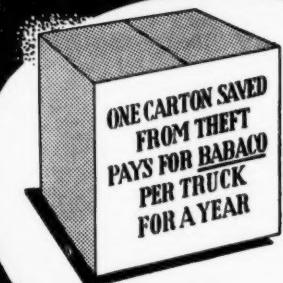
A-1 Stock Company has home office position (not Chicago) for young man, 27-38 with background of at least 5 years stock company sales promotion experience. Position offers unusually fine future and very attractive salary.

Large selection, insurance positions, all sections of the country.

Inquiries invited. Send your qualifications, they will be handled confidentially.

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Michigan Approves Fire Filing of Allstate

The Michigan department has approved the filing of Allstate for writing dwelling fire business, becoming the fourth state to do so. Allstate is now licensed to write fire in Illinois, Colorado, North Dakota and Michigan. The Indiana department disapproved the filing. The Michigan filing is the same, 20% below term rates, that Allstate used in Illinois. There was a good deal of opposition in Michigan on the part of the agents, who claimed Allstate was using the bureau classification system without sharing in its cost. Commissioner Navarre said he is convinced that Allstate has the right to use the classifications since when they are filed with the department they become public records, and the insurance code permits use of "any and all statistical information wherever available" in rate-making.

W. O. Hildebrand, secretary-manager of Michigan Assn. of Insurance Agents, said his organization will continue to oppose the acceptance of the Allstate filings. The executive committee met this week to discuss possible action. Mr. Hildebrand said a bulletin is being prepared for the agents outlining the association's position and reiterating its conviction that adequate compliance with statutory requirements is not being made by Allstate. Chiefly, this is based on a belief of the association that Allstate is not in a position to supply supporting information on which to predicate its rates.

Burglary Underwriters Name Beach President

Chicago Burglary Underwriters Assn. has named Douglas Beach of Aetna Casualty president; George Schramm, Fidelity & Deposit, program vice-president; Edward Reese, U. S. F. & G., arrangements vice-president; Richard Winzer, American Casualty, membership vice-president, and William M. Hanney, Zurich, treasurer. Harold L. Bredberg, Bredberg Reports, Inc., was reelected secretary.

At the May 24 meeting there will be a demonstration on iron protection and guests will be F. J. Stippe, president, and Albert Nolle, vice-president, Chicago Wire, Iron & Brass Works.

Set Insurance Institute at Drake for June 9-11

Drake University's community college and Iowa Assn. of Insurance Agents will hold an institute of insurance at Des Moines June 9-11.

The staff for the institute will include John Cosgrove of community college, Harold C. Krogh of the College of Business Administration, Thomas J. McKernan, assistant education director of the National Assn. of Insurance Agents, and Oscar Beling, superintendent agency systems of the Royal-Liverpool group.

Triple Header at Detroit

Henry L. Andermann of the Detroit Times will outline an advertising program for agents at the May 27 meeting of Detroit Assn. of Insurance Agents. There will be a talk by Roy P. Jensen of Firemen's Fund on broad form dwelling coverages, and the agents will also see a National Board movie of the tornado destruction at Flint, Mich.

Phelan Takes on Piqua Interest

B. W. Phelan, Versailles, O., has acquired an interest in the J. Ben Wilkinson agency at Piqua and has become vice-president and general

manager. A trustee of Ohio Assn. of Insurance agents and member of the rural and small lines committee of NAIA, Mr. Phelan was with Western Adjustment until five years ago when he opened an agency at Versailles which he will continue to operate.

Womack Appointed at Houston

R. W. Womack has been appointed by H. L. Davis & Son general agency of San Antonio as manager of the Houston office. Mr. Womack was formerly a local agent and then special agent for National Automobile & Casualty.

Ohio Federation Elects Grinstead

Insurance Federation of Ohio at its meeting at Columbus this week elected L. H. Grinstead, president of Beacon Mutual Indemnity, as the new president. Vice-presidents are Carl Mitcheltree, Columbus Mutual Life; W. J. Alpaugh, Inter-Ocean; Bernard C. Nagel, Glens Falls Indemnity, and Warren L. Weeks, Columbus agent.

The federation voted to expand its educational and public relations work

and to enter the field of research for the study of problems of insurance.

It also voted to establish an Ohio insurance council to consist of one representative and one alternate from each of the 12 Ohio insurance associations. The council will coordinate activities of the various segments in order to present a united front on legislation and other matters.

The Portland local agency of Jeha L. Kelley & Sons has been moved to 5627 S. E. Woodstock boulevard. The building at the new location has been remodeled and a large off-street parking area is planned.

READABILITY

We think it is important for advertisers to know that subscriptions to *The National Underwriter* are sold at the advertised price, without premiums, package sales, tie-ins or give-aways of any kind. Our subscribers buy *The National Underwriter* because they want the paper for itself only. No Boy Scout knives or sets of dishes are thrown in to make it more tempting to buy. We have no "deals."

The point to remember is that free circulation papers and those that are sold only with other merchandise, or at a fraction of the stated price, are not well read and so not in demand. If they were, they could be sold without special inducements.

By contrast, the subscribers of *The National Underwriter*, all of whom pay the full published price for it, read it eagerly, thoroughly, and with close attention. In brief, it has high readability. Because this is true, it is the first paper for any advertiser to use who wants to reach the quality insurance market.

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Number fourteen of a series

Explain New WC Rules at Meetings in N. Y.

The first of a series of six New York state regional conferences in which Miss Mary Donlon, workmen's compensation board chairman, will present the new WC rules and procedures, was attended by more than 500 representatives of employers and employees associations, workers and labor unions, physicians and medical societies, lawyers and bar associations and public officials, at Buffalo.

The new hearing procedures, Miss Donlon said, are designed to be as simple as the statutory formula for WC responsibility. It is a direct payment law and under it employers and insurers have the responsibility to make prompt and full payment of cash indemnity benefits and provide prompt and complete medical care without waiting for action by the board.

With the new procedures, the first referee hearing can no longer be used to learn facts that good investigation should turn up, and neither will examinations by board medical examiners be available as a substitute for the complete and prompt medical inspections the law expects insurers to make. Under the new procedures all just claims will be paid.

The most significant opportunity for reduction of costs available under the WC law is rehabilitation in its most comprehensive sense, early correct diagnosis and sound prescription, she said. Too often the insurer's at-

tention has been focused on referee hearings and the amount of cash benefits, ignoring wholly or until too late the huge potential of economic and social advantage in sound supervision of medical care.

Horan in New Post for American Farmers Mutual

William C. Horan has been appointed production manager of American Farmers Mutual of Decatur, Ill. He also will continue as manager of the fire underwriting department. Joining the company last June, Mr. Horan was vice-president of United Benefit Fire of Omaha. A CPCU, he is a graduate of the University of Southern California.

Farm Bureau Mutual of Ala. Reduces Auto Rates

Alabama Farm Bureau Mutual Casualty has discontinued its annual 10% dividend and substitutes for it auto rate reductions up to 40%. Most classes received a 10% reduction, and additional decreases have been made on 100% farm autos and pickup trucks. The PHD rates were reduced the most.

M&C, OL&T Changes in Wyo.

Wyoming has approved Mutual Insurance Rating Bureau's filing of revised BI rates for M&C and OL&T, resulting in a state-wide reduction in M&C of 25% and a rise in OL&T of 5.1%. The changes were effective May 17.

Employee Hurt on His Way to Work Gets WC Award

An employee injured on his employer's property though not actually working is eligible in certain cases for workmen's compensation benefits. Connecticut supreme court has ruled in affirming a decision of the state WC commissioner. The case involved James J. McHugh, who was hurt in a fall in Ansonia, Conn., while walking from a parking lot owned by American Brass Co. to a plant also owned by the company.

Chief Justice Ernest A. Inglis wrote: "Employment may exist before actual work begins or continue after actual work has ceased. It is enough that the going to and from work across the employer's property can be reasonably held to be incident to the employment within the contemplation of the parties."

Louisville F.&M. Promotes Three at Home Office

John F. Dalkin, vice-president of Louisville F. & M., has been elected a director. W. K. Bennett, assistant treasurer, was advanced to secretary, and W. E. Burnett, comptroller, has been promoted to treasurer. Mr. Bennett and Mr. Burnett have spent their entire insurance careers with Louisville F. & M.

Gene Koepplies, formerly a special agent for Home, has purchased his father's agency at Jackson, Mo.

Lange, Flood, Zietz Are Named in R. B. Jones Change

Robert H. Lange, who has been manager of the fire and marine division of R. B. Jones & Sons of Kansas City, has been promoted to account executive. He will continue for a time as manager of the fire department where he will have supervisory responsibilities.



Robert H. Lange

Mr. Lange is a graduate of Illinois Tech and Kent College of Law at Chicago. He was with Missouri Inspection Bureau for two years and in 1946 joined Western Actuarial Bureau as a fire protection engineer. He also taught fire insurance at Illinois Tech. He was a lieutenant in the army intelligence during the war.

Ben Flood has been appointed associate manager of the fire and marine department of R. B. Jones. He is also a graduate of Illinois Tech, and prior to 1948 when he joined the agency he was with Corroon & Reynolds group and before that was with Kentucky Inspection Bureau.

Edward A. Zietz, who has been in the engineering department since 1951, succeeds Mr. Flood as manager of that department. He is another Illinois Tech man and before joining the agency was with Factory Association at Chicago.

A INDEPENDENT ADJUSTERS A

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COMMENTS - TRENDS - OBSERVATIONS

Pacific Fire Operates Tabulating Dept. at 25% Less Cost Than the Average

Pacific Fire is operating its tabulating department at approximately 25% below the average for the fire insurance business as a whole, for a comparable volume. The company first installed Remington Rand tabulating equipment in 1925 and since then has kept procedures continuously up-to-date by introducing new machines and methods as they became available. They have kept their operation abreast of developments in the punched card field.

Over the 25 years they have maintained the lower average cost of operation. Though its volume of business has increased 140%, the number of clerical units have decreased 13%.

In 1952 Pacific Fire adopted the Remington Rand Synchro-Matic method to handle losses reported. On the loss procedure alone the company estimates that it has achieved a net saving of around 35%, though the number of losses registered has increased 25%. In addition there has been an increase in accuracy and in expediting of loss payments.

One of the Synchro-Matic units, consisting of a Remington Rand bookkeeping machine electrically synchronized with a punch key machine was first installed for auto and inland marine losses and then for fire losses. Previously the procedure had been to type the loss register, loss jacket and insured's index card, check the register back to the original media and prove the footings. Loss cards were then punched from a copy of the register and these in turn were verified to insure the accuracy of the punching operation. This method involved two transcribing and verifying procedures with risk of error in each manual copying.

With Synchro-Matic, typing and punching operations were combined into one. As the operator types the loss register, jacket and insured's index card, the loss card is punched simultaneously. Thus the cards are completely punched as soon as the loss register for the day is finished with assurance that the data appearing on the register and other forms will agree exactly with the punched information without the need of checking and correcting differences in two operator's work. When the register is checked for accuracy of typing the cards are automatically verified and are ready to be interpreted and balanced.

This method expedites punching loss cards and also increases accuracy as both documents and cards are produced at the same time by the same operator working from the same original media. It also releases the media at once, as soon as the loss jackets and registers are completed, for use by loss examiners without having

made it necessary for the media to leave the loss department. This aids in prompt processing of incoming claims and eliminates the risk of bottlenecks in the key-punching section.

Under the new procedure, notice of loss received from a branch broker or agent is used to pull the daily report. The loss notice is attached to the daily report, and any supplementary coding, such as date of loss, risk code and estimated amount is added to the notice. This loss media, consisting of the loss notice and the attached daily report, is passed to the Synchro-Matic operator for recording. The register form with a carbon in front is back-fed into the Remington bookkeeping machine at the start of the day's work. The operator front-feeds the loss jacket with insured's index card attached to the upper left hand corner for each claim. The card has a 1.5 inch strip of spot carbon across the back so that data typed on the card will carbon through on the jacket to which it is attached. Each register sheet accommodates 80 lines of entries.

The operator types the name of insured, name of agent, zone, date of loss, claim number, company code, risk, department, policy number, state, agent, class, transaction code, storm code, floater code and gross estimated loss. Where reinsurance is involved the amount of estimate applying to each and also the facultating, if any, is entered.

The gross estimate card is punched with the gross amount only and separate cards are punched for each reinsurance amount, with the designating information retained in the punch from the initial setup for all cards necessary for one claim.

The loss cards are then interpreted and listed on the tabulator for a proof total which is balanced to the control total accumulated by the bookkeeping machine during the preparation of the register. Any discrepancies are corrected and the cards are then reproduced. One set is put in the statistical file and the other is added to the outstanding loss file to await action by adjusters and for further processing monthly and periodically as required.

When loss payments are made the outstanding loss card is pulled from the file and reproduced, blocking out the amount filed. The reproduced cards are interpreted and the amount paid is punched from a copy of the check register.

More than 95% of loss payments are handled in this way. A minority of claims, and those involving salvage, additional payments, subrogation, etc., where there is a sufficient volume, are handled through a multi-control reproducer by selectively reproducing a payment card pre-punched with the

claim number and amount. As the basic system has been proved, it has been expanded gradually to cover all phases of the loss procedure and eventually Pacific Fire believes it can extend the use of the Synchro-Matic to all exceptions.

U.S. Chamber Policy on Insurance Stated

At its annual meeting in Washington, D. C., U. S. Chamber of Commerce adopted declarations of policy regarding insurance. In addition to stating that insurance, basic to the economic and social life of the nation, should be strengthened and fostered by fair and equitable laws, the chamber expressed itself in favor of state regulation, urged uniform standards of administration by state insurance departments headed by able officials, and recommended reasonable state and local insurance taxes.

The chamber strongly supports fire prevention, traffic safety programs and laws to further them and believes leadership of insurers should be continued.

It also favors security type auto financial responsibility laws and strong enforcement, and strongly opposes compulsory insurance laws.

Prohibitions and restrictions against operation of U. S. insurers abroad should be eliminated and this should be urged in the negotiation of treaties. Marine insurance should be permitted to cover goods while in original packages without license from the country of destination. Funds supplied by the U. S. should not be used as a means of transferring marine insurance to foreign markets. Freedom of choice in placing marine insurance should be sought by the U. S. in negotiating treaties of friendship, commerce and navigation.

The chamber opposes valued policy laws and is against laws requiring special deposits of securities by insurance and surety companies solely for the benefit of the people of one state.

Shelby Mutual Lays Off Cream Puffs Year Around

Shelby Mutual Casualty has excluded cream fillings from coverage in products liability policies for bakeries.

Because cream filled or custard filled bakery products such as pies, cream puffs, eclairs, Boston cream pies and the like, cause food poisoning, especially in summer, some states prohibit their manufacture during the summer and others prohibit the making of them except by persons specifically licensed to do so.

It has been customary previously for products liability to exclude coverage for such products during the warm months. But the rate at which the policies are written for bakeries is not sufficient to cover the hazard of food poisoning and Shelby Mutual has decided to exclude the foodstuffs year around.

Insurer Obliged to Defend Though Insured Asked It Not To

The New Jersey superior court, appellate division, ruled that Bankers Indemnity was obligated to defend suit against William Van Der Veen, a heating contractor, who, after installing an underground oil tank, failed to repave a section of the sidewalk used by the public. A pedestrian, Elizabeth Van Seters, fell and suffered injuries. She sued Van Der Veen and the Joab Realty Co. of Paterson, N. J., on whose property the oil tank was installed.

The insurer declined to defend Van Der Veen at this request, though the insurer was obligated to do so under the terms of his contract.

The insurer contended that the scope of its liability policy on Van Der Veen restricted coverage to operations occurring on insured's premises or at such place as he was actually engaged in servicing or installing oil burners or tanks. Abandoned or completed operations were not insured against, it contended.

The court held that the absence of specific language in the policy militated against Bankers Indemnity's contention of exclusion of liability as to completed or abandoned operations. It further held that if liability ceased on completion or abandonment, the insurer still was obligated to defend the suit since it was alleged in the negligence action by Joab Realty Company that Van Der Veen had not completed his operations.

The higher court, however, did not uphold the lower court on the ruling that Bankers Indemnity was obligated to pay any judgment that might be obtained against Van Der Veen. That, the higher court said, must await determination by a jury in the negligence action on the question of whether Van Der Veen's work was completed. The higher court also held that Van Der Veen must comply with the terms of the policy which required insured to cooperate with the insurer in the conduct of the suit.

Construction Tops Record

Contract awards for construction in 37 eastern states remained at extremely high levels in April, F. W. Dodge Corp. reports. The total was \$1,891,368,000, 11% above March and only 3% back of the all-time record set in April, 1953, which included almost \$150 million for atomic energy commission projects. In spite of the extraordinary size of April, 1953, April of this year lagged only 3% behind.

The Dodge total for the first four months set a new high for the first third of any year of Dodge's 63-year history. It was 8% ahead of the first four months of 1953, the previous high.

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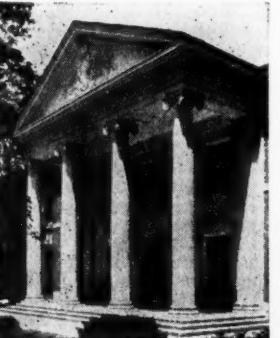
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Cahill Shows Fla. Agents that Expenses of Specialty Companies Are Lower

Because of the national pattern of casualty business, it is a desirable and sound general principle to maintain a high degree of uniformity countrywide in respect to insurance rating systems and practices lest a vast multiplicity of state exceptions become unduly burdensome on interstate commerce, James M. Cahill, secretary of National Bureau of Casualty Underwriters, told the convention of Florida Assn. of Insurance Agents at Jacksonville.

Mr. Cahill pointed out that while national uniformity is desirable, the bureau has recognized that rating systems and practices must be responsive to local conditions, conditions that are peculiar to individual states and regions. He explained that the bureau is organized through regional branch offices and regional and state advisory committees to give close attention to local situations and to respond promptly to needs arising from local conditions. Any actions taken by a local advisory committee are submitted to the bureau home office in the form of advisory recommendations and are reviewed there in the light of their relationship to the national picture.

"This system of local cooperation within a countrywide pattern is in the best interests of the business and the insurance buying public."

It has the collateral advantage of keeping the cost of compiling necessary statistical data to a minimum and performing the ratemaking function, since all such endeavors are handled in one central organization and not through separate installations.

Mr. Cahill noted recent discussions of the expense ratios of leading specialty companies vs large writers among stock agency companies in automobile liability. He said the specialty companies have substantially lower expense ratios because of their different methods of doing business.

He explained he did not pretend to have all the answers that will solve or help solve the competitive problem, "but," he said, "let's not mislead ourselves into believing that the specialty companies operate at the same or even higher costs than the stock agency companies."

Premium volume has grown so rapidly that a distorted picture is obtained if production costs and taxes, which are incurred as a function of written premiums, are related instead to earned premiums, he said. For analysis purposes the expense ratios for production costs and taxes should be computed as a function of direct written premiums, particularly since many of the specialty companies pay lower commissions on renewals than on new business. Before comparing expense ratios, the results for specialty companies should be converted to the bureau rate level rather than the rates at 20% to 25% off at which their business is written.

Mr. Cahill presented expense ratios for four specialty companies and four of the largest writers of automobile liability insurance among the bureau's members, as taken from the 1953 insurance expense exhibit.

In the following table the first column shows the 1953 ratios of total expenses, including all loss adjustment expenses, to net earned premiums. The second column shows 1953 total expense ratios with production costs and taxes related to direct written premi-

ums and with expense items related to National Bureau rate level.

Specialty Companies

A	44.3%	32.2%
B	42.0	28.0
C	38.5	29.8
D	30.3	22.2
National Bureau Companies		
A	44.5	42.6
B	41.1	40.7
C	37.4	35.8
D	43.1	41.8

The production cost ratios of bureau companies, and their total expense ratios, reflect the effect of the lesser commission rates normally paid on premiums for long haul trucking and public vehicles and on fleet risks subject to graded expense plans, Mr. Cahill pointed out. This is an important part of bureau company business; specialty companies write little of it.

After making the two necessary adjustments explained previously, the expense ratios for these specialty companies are shown to be substantially less than those for the bureau companies, which is to be expected in view of what is known about their methods of producing business, Mr. Cahill said.

"The difference in cost would be even more pronounced if the specialty companies did not show loss adjustment expense ratios running from 34% to 173% higher than those for the bureau companies. To the extent that this may be caused by different methods of allocating expenses by function, it would make no difference in this comparison of expense costs, but to the extent that this may be due to their bolstering of reserves for loss adjustment expenses, now that these must be shown as a separate item in the annual statement, it would make a difference.

If this increasing of the reserves for loss adjustment expenses by substantial amounts is not repeated in future years, it will tend to widen still further the difference in expense ratios between these specialty companies and bureau companies."

The lower rates charged by specialty companies are made possible by both lower expense costs and better than average loss experience.

"I don't pretend to have all the answers that will solve or help solve this competitive problem," he said, "but we must not mislead ourselves into believing the specialty companies operate at the same or even higher costs than the stock agency companies. And their growth and competition cannot be outlawed by means of rate regulatory statutes requiring all insurers to charge the same rates."

Although casualty business and the automobile liability line are in the black again nationwide, and although the premium volume for all lines combined is still showing an increase for the stock agency companies, there is no question but that they are on the threshold of change, Mr. Cahill said. One form that most certainly will be subject to important changes in the years ahead will be automobile. He pointed out that automobile liability is now in the category of a mass production line bought by the public in many instances to comply with the requirements of state statutes.

"Necessary steps must be taken to simplify the handling of automobile policies from beginning to end in both agency and company offices. The resultant savings can be passed on to the public," he said.

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Agents Making Monster of Auto Situation, Bokman Says in Fla.

The automobile situation is being greatly over-emphasized, Charles H. Bokman, Pittsburgh resident vice-president of New Amsterdam Casualty, told Florida Assn. of Insurance Agents at its 50th anniversary convention in Jacksonville.

Whenever agents are gathered together, the automobile competitive situation is the first subject of discussion. Instead of calmly analyzing the situation, Mr. Bokman said, agents are building up a Frankenstein and overlooking the real problem that confronts them.

"The agency system is not going out of business. Even if our competitors wrote all the automobile insurance (which they most assuredly will not), the agency system shall survive because it is bigger and more important than any one classification," he said.

No particular individual or group can be blamed for the present situation. It is the result of a series of economic conditions over which the agents have no control and it cannot be cured by the corrective measures of any one individual or group. Certainly agents are not to blame for the condition, but they can make a distinct contribution to correcting some phases of the problem.

During the past few years the country has gone through a sellers' market, which resulted from war conditions and the economic upheaval that followed it. There has been a tremendous increase in the number of automobiles on the highways, and financial responsibility laws practically made the buying of automobile insurance compulsory. During these years the people had money and they spent freely. They bought anything that came along, so it is little wonder they bought all kinds of automobile insurance. Many of them bought it because they felt they had to, so they bought whatever kind they could get as cheaply as they could buy it.

Up to this time, direct writers and specialty companies had a pool of uninsured risks accessible for their solicitors and the going was relatively simple.

In Pennsylvania, for example, he said, now nine out of every 10 risks will be insured risks, so the competition will be for insured business. This also means that the solicitors for the specialty companies and the direct writers, on almost every sale, will be in direct competition with a member of the agency system. This is something new to them, he said.

"It means a stiff competitive fight for every piece of business, because we have reached a saturation point. It seems to me that we have built up in our minds the idea that the competition is direct writers, whereas the most bitter competition is from specialty companies, and one of the largest, whom we refer to as a direct writer, is today more of a specialty company than a direct writer. It seems to me that we should spend our time analyzing the competitive situation as regards specialty companies," he said.

Specialty companies are subject to economic fluctuations that affect their particular line. For instance, he said, the automobile specialty companies would be seriously affected if the nation were engaged in an all-out war that curtailed production of automobiles and rationed gasoline.

"Up to this time, we have been selling protection," he said. "From here on in, we must sell service. We are getting back to pure salesmanship. A great many of the people now insured by the opposition, bought the kind of insurance they wanted to fulfill an immediate need. Now it is our problem to sell them the kind of insurance they need in order to have modern insurance protection."

The best approach at the moment is for each individual to carry on his own campaign for the solution of the situation.

He suggested a six-point program as a starting point for such a campaign:

Encourage every possible agent to join an agents' association.

Improve every service for policyholders and prospects in each community.

Advertise and tell the agent's story to prospects and neighbors.

Make certain the manpower is on hand to contact every available risk in the community.

Keep faith in the institutions that have made insurance.

Support the companies that believe as the agents do.

Contract Let for Travelers' Addition

Travelers has contracted with the George A. Fuller Co. to build the new addition to its head office. The Fuller company constructed the new Hotel Statler at Hartford and the Aetna Life building there.

The new 11-story building at 740 Main street will replace the Old Times buildings at the corner of Main and Grove streets and the two-story building next door at 738-44 Main street. Demolition of these buildings will start in August and construction will take about 18 months.

Most notable change in the physical setup of Travelers with the completion of the new building will be the move of the Hartford branch on Asylum street to the first three floors of the new building. The Travelers school will occupy the 52 Prospect street building with the removal of the Girl's Club cafeteria and recreation room.

The new building will be faced on west and south with Alabama limestone, its first floor with pink granite. It will increase home office space by about 30%.

Cole V-P of General Fire & Casualty

Clarence A. Cole has been named vice-president in charge of underwriting and production of General Fire & Casualty. He has been with the company a year as manager of the casualty department. He has been in insurance 37 years, starting with Employers Liability. He served as an underwriter with American Employers, Great American Indemnity and America Associated and was supervising underwriter in the New York office of Zurich.

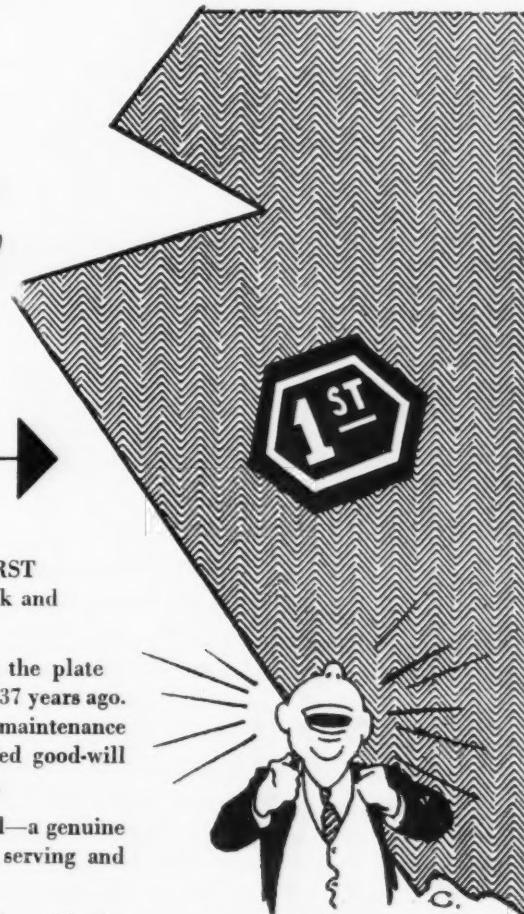
S.C. Farmers Get 20% Cut in Collision Premiums

Revisions in rates and rules as filed in South Carolina by National Automobile Underwriters Assn., have been approved, effective May 24.

A special collision classification for farmers' automobiles provides for 20% lower premiums.

Miss Virginia Lynch was installed president of Insurance Women of Madison, Wis., at a dinner meeting this month. Other new officers are Mrs. Leota Schoenoff, vice-president, and Vera Maynard and Arlene Draves, recording and corresponding secretaries.

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National Appraisal Names E. J. Kunze

Edward J. Kunze has been named executive vice-president of National Service & Appraisal and its credit reporting affiliate, Hill's Reports, in Chicago.

A graduate of Northwestern University, Mr. Kunze started as an inspector in 1933 with Retail Credit in



E. J. KUNZE

Chicago, subsequently becoming assistant manager there. For some years he was also responsible for the training, direction and selection of new men for the company, and for 5½ years was manager at Evanston, which also includes the Waukegan office. He was with Retail Credit 20 years.

Herbert A. Siddons, who has been with the organization two years, was promoted to vice-president and Vincent O'Neil, with five years service, now heads Hill's Reports.

Standard Accident Makes Several Claim Changes

Bernard K. Doyle, manager of the casualty claim department, has been made an executive secretary of Standard Accident. He will continue in charge of casualty claim operations.

John L. DeGurse, attorney in the casualty claim department has been made manager of that department, and will be responsible for general administration under Mr. Doyle.

Standard has divided the country into four territories for automobile liability claims as follows: Territory 1, New England, in charge of L. F. Sproul, assistant manager; territory 2, midwest and middle Atlantic states, O. A. Knauer, assistant manager; territory 3, southeast, southwest and mountain states, L. J. Donaldson, assistant manager, and territory 4, Pacific Northwest and Pacific Coast, V. H. Quigley, assistant manager.

T. B. Ridgeway has been made assistant manager in charge of compensation claims for the entire country, assisted by H. B. Jones and Clarence Norman, claim supervisors.

George Hoek has been promoted to assistant manager for all burglary, A&H, and group claims, assisted by W. Johnstone, claim supervisor.

Retainer No Indication of Litigation Expense

The liability of an insurance company for expenses occasioned by litigation may involve a far greater sum than the attorney's retainer fee alone would seem to indicate, Edward S. Hogan, associate examiner with the fire and marine section of New York insurance department's property bureau, said at the in-service training program for examiners of the department.

The retainer, he said, is generally a small payment with the final amount not being billed until the case has been terminated. Examiners should determine what the liability of the insurer will be if the litigation should be decided against it. He cited the instance of a case in which the small retainer gave no indication that the insurer was potentially liable for a judgment

of \$300,000 for fraudulent notes issued by a general agent.

The examiners were reminded that certain defendants in the historic Missouri rate litigation had obtained funds from insurers by representing them as needed for legal expenses. Much of the sum was actually not needed for this purpose and found its way to unauthorized persons.

He also directed attention to the handling of funds held under reinsurance treaties, particularly to the right of offset of such funds against those deposited with ceding reinsurers on a reciprocal basis. The philosophy of the New York law is to allow credit due from unauthorized insurers under reinsurance agreements to the extent that these are properly secured, he explained.

Pa. Educational Meet Program Set, June 13-15

Program for the June 13-15 Pennsylvania insurance educational conference at State College, Pa., has been scheduled to include an agents panel on agency problems made up of Miss Helen A. Blair of Blair & Blair, Wellsboro; Russell Fulford of Brown & Fulford, Allentown; Floyd L. Rice of Craft Agency, Warren; Lawrence D. Willison, Jr. of Williamsport and Franklin W. Wood of Harrisburg and moderated by A. S. Feinerman of Harrisburg.

Speakers and their topics will be Dryden Small, executive special agent of New York Underwriters on "Time Element Coverages"; Charles H. Bokman, resident vice-president of New Amsterdam Casualty on "Contract and Judicial Bonds"; George C. Peacock, secretary of Agricultural on "How to Use Your Field Men"; and Mr. Fulford on "How to Sell Insurance to Small Stores".

Because of the death of Robert H. Millar, agency superintendent of U.S.F.&G. at Harrisburg, scheduled to talk on "Comprehensive General Liability", William G. Gingrich, superintendent of compensation and liability underwriting of U.S.F.&G., will speak on the topic. The course in agency ownership, a part of National Assn. of Insurance Agents management program, will be conducted by George S. Hanson, associate counsel of NAIA. O. R. McKenzie, dean of the college of business administration of Pennsylvania State, will be the banquet speaker.

The conference, conducted by Pennsylvania State college of business administration and general extension service, is sponsored by Pennsylvania Assn. of Insurance Agents with co-sponsors, Anthracite Fire Underwriters Club of Pennsylvania, Casualty & Surety Assn. of Pittsburgh, Casualty & Surety Managers Assn. of Philadelphia, Insurance Club of Pittsburgh, Insurance Society of Philadelphia, Central Pennsylvania Field Club, Smoke & Cinder Club of Western Pennsylvania, Surety Assn. of Harrisburg, Surety Assn. of Pittsburgh, Surety Underwriters Assn. of Philadelphia and Underwriters Club of Philadelphia.

Excelsior Premiums Up 10.6%

President Forrest H. Whitmeyer, reporting at the quarterly meeting of directors of Excelsior, held the same day as a meeting of agents' advisory council, said that total premiums in the first three months of 1954 were 10.6% over the same period last year and that 56 new agents had been appointed. The company recently entered Maryland, naming as its first agent Warfield-Dorsey Co. of Baltimore.

The summer insurance school, sponsored by Massachusetts Assn. of Insurance Agents, is scheduled for June 4-16 at University of Massachusetts, Amherst.

Paul Webber is now manager of the Alvin K. Francisco local agency at Anacortes, (Wash.). He was formerly an adjuster for General Seattle.

Experts Review Features of Home Covers As Big Crowd Exhibits Closest Interest

Approximately 500 attended the forum on new coverages in the home field sponsored in New York City by the Jaffe agency. Interest of producers (in this case mostly brokers) in the rapid developments in the home field was indicated by the close attention they paid to the speakers, the questions they asked, and the length of time they kept asking them.

Roy C. McCullough, manager of Empiro, discussed the homeowners; Harry F. Perlet, manager of Interbureau Insurance Advisory Group, the comprehensive dwelling policy, and Lee W. Taylor, metropolitan fire manager of Fireman's Fund, the special homeowners comprehensive. Mr. Taylor explained how SHO differs from the homeowners. Fireman's Fund is a member of Empiro. He pointed specifically to the deviation from Empiro's named perils of water damage and said his company's policy is broader in that it does not exclude damage caused by sewers backing up, seepage in foundations, defective spouting from taps, etc.

A question that brought chuckles from the audience was: Where does the Fireman's Fund policy fit in with all these other new policies and why must I be required to learn another new form? Mr. Taylor said there is no conflict between his policy and Empiro's, that his policy is designed for dwellings only, is "good for the carriage trade" and a fit companion for the personal property floater. This, he said, could be called burning the candle at three ends "if you can find the third end."

Does the Interbureau policy contemplate any rate discount, Mr. Perlet was asked. Yes, he said, for the special rate consideration in the Interbureau policy is predicated on the policyholder taking the four mandatory covers: fire, extended coverage and AEC on the dwelling and contents, all without deductibles, theft from premises, and comprehensive personal liability.

He noted that Interbureau theft cover includes mysterious disappearance. Mr. McCullough explained that mysterious disappearance would have to be interpreted as individual instances presented themselves. Thus, he illustrated, if a locked auto showed signs of having been forcibly entered, the value of contents taken could be recovered under the theft clause. On the other hand, if a woman found her jewels missing at the end of an evening of dancing and partying, it is doubtful if she would be able to recover under the Empiro policy. There must be a reasonable presumption of theft for the policyholder to recover.

Mr. Perlet at another point compared his comprehensive dwelling policy to Empiro's in the matter of the percentages integral in the Empiro policy. All Interbureau coverage is on a 100% blanket basis, he said. There are no self-contained requirements on a percentage basis or otherwise for the spread of the limits within the policy and insured has full latitude, within certain minimum restrictions, to select the limits of liability applicable to each of the coverages included.

Empiro, on the other hand, has these percentages. Mr. McCullough illustrated with a dwelling insured for \$15,000. In this case there would be 10% of this \$15,000, or \$1,500, on appurtenant private structures, such as outhouses; 40% of \$15,000 or \$6,000 on household

and personal property on the premises; 10% of the \$6,000 on household and personal property away from the premises. These percentages are inflexible, he said, but opposition to them usually comes from those who have not actually sold or worked with the contract. Producers who really push homeowners report no handicap at all.

If insured finds the value of his home has increased, can he have his policy commensurately increased by endorsements? Yes, Mr. McCullough said.

Mr. McCullough and Mr. Perlet were asked at different times: How does co-insurance apply in the policy? Mr. McCullough: New York state is the only coinsurance territory and there is a mandatory coinsurance clause in the dwelling coverage (item A of the policy). There is no coinsurance clause in the balance of the country. Mr. Perlet: This holds for his policy as well.

If insured has a seasonal dwelling as well as a year-round home, can the

policy be extended to cover the seasonal dwelling? Mr. McCullough: Only so far as liability is concerned, and this is done automatically.

If the policy has a minimum, Mr. Perlet was asked, can existing insurance be used to reduce this minimum? This probably was asked before it was generally known that Interbureau's policy contemplates a \$125 minimum regardless of term. Mr. Perlet said his contract's automatic pickup clause could be employed here.

Mr. McCullough: Often the best thing to do is to cancel existing insurance when buying the Empiro policy. Mr. Taylor: Full credit will be given for the unearned portion of existing insurance, when buying SHO.

Why won't some banks and associations accept the homeowners policy but will the standard fire policy? Mr. McCullough: Banking people are getting to understand the advantages of homeowners and the number of recalitrants is diminishing.

Can the Empiro policy be issued on a dwelling in the course of construction? Mr. McCullough: Yes, and the usual builders' risk clause holds. If

the value of the outbuildings is more than 10% of the dwelling value, what provision, if any, is made? Mr. McCullough: None. Empiro's is a package policy and percentages must stand.

Committee Renames Officers

Reappointed at the annual executive committee meeting of National Bureau of Casualty underwriters were T. O. Carlson, actuary; J. B. Donovan, general counsel; E. A. Twain and W. O. Bailey, assistant secretaries; C. E. Gillott, Jr., manager accounting division; W. H. Brewster, manager automobile division; G. P. Wieman, manager boiler and machinery division; D. D. Pillsbury, manager burglary and glass divisions; Milton Acker, manager general liability division; E. A. Bantel, office manager, and Philip Leibowitz, statistician.

Lucker is Retiring

Martin F. Lucker, claims manager of London Assurance and Manhattan F. & M., is retiring June 1. He has been with London Assurance since 1920. Previously he was with Germania and Nord Deutsch.

PEPPY FREDDY, the fieldman, says:

WHEN YOU ARE SICK YOU
CALL A SPECIALIST - WHY
NOT USE THE SAME LOGIC
ON YOUR BONDS? CALL A
SPECIALIST!
THE WESTERN SURETY
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EDITORIAL COMMENT

Bright Promise in A&H Advertising Code

Adoption of a code of advertising ethics by Health & Accident Underwriters Conference constitutes the first positive action such a large number of companies have taken to put themselves on record as to how they will present their product to the public. It is significant that the conference was the organization to initiate this move, because its membership is comprised of all types of insurers—casualty, life, and specialty, doing business on the stock, mutual and reciprocal plans—and it is no small matter to get such a variety to agree on any sort of statement of policy, especially one that carries so much in the way of implication.

Those attending the conference meeting had every reason to understand the necessity for the insurers to take a step affirmatively to demonstrate their awareness of criticism that lately has been leveled at the A&H business and at the same time to demonstrate the ability of the business to cope with the matter on its own initiative. A code of ethics of itself has no more than moral persuasive power unless it is accompanied by some means of enforcement, and the conference saw to it that those of its members who choose not to go along with the rules will no longer be members of the church. Even though it has been arranged that if it becomes necessary to terminate membership of a company it will be done in an orderly and quiet manner, the fact remains that such information will get out and within a short time everyone in the business would know it. Nobody likes to be expelled for infractions of rules of decent conduct, and it is only to be expected that no one will be. The code was adopted unanimously and with enthusiasm. Each company received a copy at the time of the meeting and will receive additional copies in due course. The code is something to be read and compared with advertising practices. If something shows up to be out of line it is up to the company to make a correction promptly.

Conference members write more than 65% of the total individual A&H business. A number of representatives of companies in Bureau of A&H Underwriters who are also conference members were consulted in preparing the code. It is to be anticipated that the bureau will take action along similar lines, so that the great bulk of

the A&H business will have taken the leadership in its own hands to state its position in definite terms on the score of advertising.

There can, of course, be no implication that non-members of the conference automatically are not adherents to the advertising code. However, the code is being distributed to the insurance commissioners, and it is available to them as a guide, representative of what the majority of companies feel should be done in the way of advertising.

The code itself can hardly be regarded as a minimum type of production. The standards it sets are high and repeatedly there is reference to the need for avoiding implications, its two basic standards requiring advertising be truthful in fact and in implication and that it not have the capacity and the tendency to mislead. Following these basic standards, the companies list 14 particulars on which they agree care should be taken.

It remains to be seen what the commissioners individually will do with such a code available to them. For those companies having agreed to abide by its standards, the best approach would seem to be to let the self-policing system have its chance. That would line up by far the greatest part of the business in one camp; and there would remain as trouble spots those very same companies which have been referred to repeatedly as being in the small minority, but able to produce the largest number of complaints.

The conference has no control of any kind over the activities of companies not within its membership. The organized companies have said right along that their own members are free from any suspicion, and that the commissioners should be directing their attention to the relatively few insurers bringing on the disturbance. The advertising code is one means of emphasizing this point. The companies will be doing their own policing in one of the areas in which it is possible.

The action of the conference has an appearance of being only a start. A&H insurers are well aware that they are being criticized heavily for cancellations, for example. Already in one state, and others could follow, there has been agitation for a law to require companies to give notice equal to the length of time a policy has been

in force before cancellation can take place. Even though this is a matter of individual company underwriting and claim practice, it is evident that if the insurers don't set up some rules of their own, the states will do it for them if there is enough pressure. The companies know this, and the fact that an advertising code was adopted quickly and unanimously shows they are ready to act.

There has been some pushing and pulling to get this far, but now that the initial, and toughest, line has been crossed, the outlook for the A&H business to take strong hold of its own problems is bright indeed.

PERSONALS

Vincent H. Beckman, who is counsel and a director of Cincinnati Ins. Co., has been appointed to the nine-man city council of Cincinnati to succeed the late Mayor Edward Waldbogel. The appointment was particularly interesting locally because it was the first test of a recent amendment to the city charter which revised the procedure for filling council vacancies.

Edwin E. Crawford, 77, of the Crawford, Katsberg & Diehl at Des Moines, was honored at a dinner there marking his 50th year in the business. The testimonial was held while Iowa Assn. of Insurance Agents' meeting was in progress, and as a result a large number of field men and agents were able to attend.

L. Alexander Mack, publisher of *Weekly Underwriter*, has marked his 50th anniversary in insurance journalism. He started as business manager of *Weekly Underwriter* and purchased it in 1913. He began in newspaper work in Ithaca, N. Y. in 1901.

Ralph H. Loser, partner of McCabe & Hengle, metropolitan supervising agents, Chicago, has returned to his home in suburban Downers Grove after a two-week stay in St. Charles hospital, Aurora, Ill. Mr. Loser expects to return to work shortly after the first part of June.

Passe Club International, which consists of former insurance commissioners of the U. S. and Canada, has just gotten on to its rolls a man who has long been eligible, but who has been so engrossed in insurance sales development activities that he had not been aware of the existence of Passe Club. He is **Donald M. Forsyth**, who is assistant superintendent of production at Chicago for U.S.F.&G.

He was the first man to hold the office of insurance commissioner of Wyoming when the insurance department was established on an independent cabinet basis in 1919. He was then 22 and had completed his schooling. His father, Robert B. Forsyth, was Wyoming state auditor at that time and ex officio

insurance commissioner until the insurance department was upgraded. Donald Forsyth recalls that in 1921 he engineered the passage of a new insurance code including the first fire insurance rate regulation statute.

After serving four years he went with Hartford Fire in the Rocky Mountain field and in 1926 with William Braerton founded the Denver general agency of Braerton & Forsyth. He sold his interest in 1930 and was with the Daily general agency for a time. He has been a U.S.F.&G. man at Chicago 11 years.

Harold V. Smith, chairman of the board of Home, will be honored at a testimonial dinner May 25 by the general insurance division of greater New York United Jewish Appeal. This will also be the final dinner before the 1954 campaign gets under way. Mr. Smith, an outstanding figure in the field of philanthropy, is a trustee in such charitable organizations as Georgia Warm Springs Foundation and National Foundation of Infantile Paralysis.

Victor O. Schinnerer, Washington, D. C., local agent, was recently elected a director of Washington Board of Trade. He has been insurance committee chairman of the board.

Francis Perriman of Royal Liverpool sailed last week for a trip to England and Europe.

Marion Allen, local agent at Fort Valley, Ga., who is not yet 25, has been elected mayor there. He must wait until his 25th birthday to assume his post.

Alvin C. Cast of the Cast-Wilson agency of Kentland, Ind., has been selected Republican state chairman of Indiana. He is the third in 18 months. Mr. Cast is a newcomer to politics.

Archer O'Reilly, Jr., secretary of American-Associated, has been named to serve on an advisory committee for the 1955 Greater St. Louis Community Chest campaign.

Wayne Van Orman, New York attorney who specializes in insurance practice, has been elected president of Assn. of Alumni of Columbia College.

Del W. Eggert, Kuffel, Eggert & Co., Chicago agency, is convalescing in West Suburban hospital, Oak Park, Ill., following a heart attack.

Herbert T. Walworth, director of industrial hygiene of Lumbermens Mutual Casualty, has been installed as president of American Industrial Hygiene Assn.

Thomas Anderson, Jr., special representative of Griffiths, Tate, Ltd., Chicago, has added another male member to the insurance family now directing the firm's operation in the United States. Thomas Carter Anderson III was born May 6. Thomas C. Anderson, Sr., grandfather, is vice-president of the firm.

W. Russell Briscoe of Knoxville, vice-president of J. E. Lutz & Co., and Tennessee Ins. Co., has been named an inspector in the election which will decide control of the New York Central

The NATIONAL UNDERWRITER

EDITORIAL OFFICE:
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Assistant Editor: Warren Kayes.

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BOSTON 11, MASS.—207 Essex St., Rm. 421, Tel. Liberty 2-1402. Roy H. Lang, New England Manager.

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Howard J. Burridge, President.
Louis H. Martin, Vice-President.
Joseph H. Head, Secretary.
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420 E. Fourth St., Cincinnati 2, Ohio.

OMAHA 2, NEBR.—610 Keeline Bldg., Tel. Atlantic 3-1116. Clarence W. Hammel, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad Street, Room 227, Tel. Pennypacker 5-3706. E. H. Erickson, Resident Manager.

PITTSBURGH 22, PA.—503 Columbia Bldg., Tel. Court 1-2494. Bernard J. Gold, Resident Manager.

SAN FRANCISCO 4, CAL.—507 Flatiron Bldg., Tel. Exbrook 2-3054. F. W. Bland, Pacific Coast Manager.



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High Auto Cover Costs Due to Accident Rise: Catlin

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driver training in schools. Roads must be modernized, congestion reduced, traffic laws enforced. States should be more selective as to who shall drive.

Mr. Catlin recently noted that 7% of all auto mercantile reports furnished by an inspection company raised a serious question of insurability. Think what it might mean to the traffic accident problem if 7% or even 5% of the 69 million operators were removed from the highway.

There has been a drift toward the policy that he who can pay can drive. Proponents of compulsory seem to be saying, let all drive who can pay but be doubly sure he can pay. He said he opposes compulsory because it will socialize an important part of the free enterprise system, auto insurance business, it will not reduce traffic accidents or the cost of insurance, and it will build bureaucracy and red tape and create pressure for inadequate rate levels. It is far more important to protect a child's life against injury by a responsible or irresponsible operator than it

is to guarantee the parent money compensation for his death.

Motor vehicle departments of the country need adequate funds to perform their work properly, he said.

He suggested licensing of all operators as a public welfare and safety measure, not primarily as a means of collecting revenue; a more thorough and comprehensive examination for all new driver license applicants, issuance of probationary licenses to all new operators for at least one year; greater use of the power given the MV commissioner to suspend and revoke licenses, and all license renewals handled on a staggered plan for greater efficiency, economy, and closer attention to the need for driver reexamination.

Rename Milwaukee Agency

Benjamin M. Weil agency, 756 N. Milwaukee street, Milwaukee, founded in 1873 by the late B. M. Weil, has changed its name to Zendzian Co., Inc. Matthew P. Zendzian, secretary-treasurer of Wisconsin Assn. of Insurance Agents, owner of the company since 1952, is president.

Greater Chicago Safety Council Holds Exposition

Eight insurance men were members of the executive committee for the 31st annual safety conference and exposition held last week by the Greater Chicago Safety Council.

They were A. R. Graham, Bituminous Casualty; L. W. Hagerup, Lumbermen's Mutual; M. B. Hofmann, General Accident Fire & Life Assurance; Robert Hughes, Marsh & McLennan; R. M. Kramer, and R. E. Whiteside, Employers Mutual, Wis.; Charles Macdonald, Employers Re and R. E. Vernor, Western Actuarial Bureau.

Other insurance men who assisted in holding the conference were W. Dean Keifer, Lumbermen's Mutual, and A. R. Graham, Bituminous Casualty, who were chairmen of programs. H. F. Morganthaler, Insurance manager, Daystrom, Elizabeth, N. J., and John D. Gallagher, Hartford Accident, gave talks. Ellis Doane, Jr., Underwriters Service Assn., and Harry Wolfe, Western Actuarial Bureau, were on the reception committee.

Parker Named Head of N.E. 1752 Club

Everett N. Parker of Traders & Mechanics was elected president of New England 1752 Club at the annual meeting in Framingham, Mass. Other officers are Richard G. Hartigan of Worcester Mutual, vice-president; Stuart E. Freeman of Norfolk & Dedham, secretary; Carl Johnson of Lumbermens Mutual Casualty, treasurer; Herbert N. Woods of Massachusetts Mutual Life, D. Kirkham Rand of Merchants Mutual Casualty, Arthur G. Sprague of Pawtucket Mutual and Robert J. Geary of Dorchester Mutual, directors.

Would Hike Garage Rates

Commissioner Gold has scheduled a public hearing for June 2 on a proposal by North Carolina automobile rate administrative office to increase division 1 garage liability rates. The proposals would hike the rates to 18.2% for BI and 89.1% for PDL, with average increases being 42.4% for the combined coverage. This would mean about \$235,000 in annual premiums.

Loss experience filed by the office for 1950 and 1951 indicated loss ratios of 75.6% BI and 109.7% PDL against an expected or permissible loss ratio of 58%.

Wallop Heads D. C. Agents

New officers of District of Columbia Assn. of Insurance Agents are J. Douglass Wallop, Jr., president; Herbert M. Pasewalk and Joseph L. B. Murray, vice-presidents; Huntington T. Block, secretary; Robert V. Oxenham,

treasurer; Victor O. Schinnerer, state national director; Charles H. Joyner, A. L. Jagoe, Jr., H. T. Beuermann, Henry C. Young, Charles R. Barker, Jr., and R. Kelvin Shivers, trustees.

Certificates were presented 19 members who recently completed educational courses and special awards were given Mr. Block as outstanding member for help and cooperation with association operations and to William A. Boone as associate member who contributed the most help to the association during the past year.

The association's annual outing will be held June 11 at Bethesda, Md.

Bill Proposes Insurance Instead of Farm Props

WASHINGTON—As a substitute for the government's farm price support program, Senator Frear of Delaware has introduced a bill to stabilize farm income by providing a system of insurance to indemnify farmers against certain losses.

The bill would set up in the Department of Agriculture a farm income insurance corporation. That department already includes Federal Crop Insurance Corp. The bill was referred to the Senate agriculture committee.

Under the plan, payments to subscribing farmers would be made from the fund created through premiums. Senator Frear said that price supports would eventually be eliminated as farmers become insured. There would be established a cutoff date for the payment of price supports to producers, after a reasonable period of time has elapsed following passage of the bill.

Agent-Embezzler Sentenced

Mrs. Maebelle Hiscock, Union Mutual Life agent at Portland, Me., was sentenced in superior court, Portland, to two to four years in the state prison after having been found guilty on one of two counts of embezzlement. She had pleaded guilty to a charge of embezzling \$10,000 from a policyholder. She was also charged with embezzling \$6,000 from her company. Both sums were involved in a \$16,000 policy bought by a policyholder, John E. Bradford of Winslow, Me. The sentence was for the \$10,000 count. The other charge has been placed on file by Justice Percy T. Clarke in superior court.

Bagg Heads Utica Agents

Albert S. Bagg, Jr. was elected president of Utica Insurance Agents' Club to succeed Leslie Kerman. Other officers are Walter Hedderich, vice-president; Jack Roy, secretary; and Mr. Kerman, David W. Reilly, Joseph Shaw, Jr., Bruce Souter and Garfield Pritchard, members of the executive committee. Mr. Hedderich and Mr. Shaw were named cochairmen of the annual clambake, June 17.

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PREFERRED RISKS
SPECIAL RATES

NON-ASSESSABLE POLICIES

UNEXCELLED
SERVICE

Insurers Held Liable in Boeing Bomber Crash

(CONTINUED FROM PAGE 12)

was caused by mechanical failure in flight of the No. 4 propeller gear reduction system, which had been defectively manufactured by Curtiss-Wright Corp. and sold to the air force, which shipped it to Boeing for installation on the plane that crashed. Curtiss-Wright and Boeing agreed to split the claims 70-30.

At the time of the trial of the suit, Boeing had paid out \$58,173 as its share of the claims. The insurers had agreed to the settlement terms between the two aviation companies.

The court notes that under the specific provisions of the products policy there can be no coverage and the judgment must be affirmed if the accident occurred before Boeing had relinquished possession of the plane to others or if the plane was in flight by or for the account of Boeing.

In this case the principal controversy is over the meaning of the word "possession" used in the policies of the products insurers. Possession is an ambiguous word. Consequently the court ascertained the intention of the parties to the insurance contracts by reference to the facts and circumstances surrounding the making of the contracts, "as well as by viewing the contracts by their four corners". Eagle Star and American F.&C. argued that Boeing was not in possession of the plane as a bailee for the purpose of doing modification work on the aircraft. They argued that Boeing did not have constructive possession. Boeing did not own the plane.

The court agreed that the plane was delivered to Boeing under a bailment, as the lower court held. The higher court also agreed that at the time the plane crashed the bailment contract had not ended and Boeing retained possession of the bomber as a bailee. The court said however that when the No. 4 propeller began malfunctioning on the fatal flight, Boeing became obligated under the cost plus contract to do more work on the plane and consequently the bailment contract could not have been at an end.

Looking at the situation from the viewpoint of the parties at the time the contract was executed and not after the loss had occurred, the court concluded that it was the intention of Boeing and the products insurers to use the word possession in the policies in its broadest sense. And that was the type of possession Boeing exercised over the planes on which it was then engaged in performing modification work.

The court also went into the issue of whether the term "account" as used in the products policies means for the advantage, profit or benefit of Boeing. The liability insurers urged that the flight was wholly for the benefit of the government, but the court disagreed since Boeing could not be paid in full until the plane had been successfully test flown.

Denver BBB Sets Up an Insurance Advisory Unit

A 12-man insurance advisory committee, headed by Russell P. Kramer, former chief of the Denver FBI office and now president of Aegis Casualty, has been set up by the Denver Better Business Bureau. There has been a great to-do in Colorado about insurance following the Pioneer Mutual Compensation debacle. The new committee will educate the public about insurance and "any unethical or im-

proper practices" which may exist.

The membership committee is comprised of K. M. Wormwood, Denver insurance attorney and president of Denver Bar Assn.; H. J. Barry, Jr., vice-president of Manufacturers & Wholesale Indemnity Exchange; H. R. Dolan, district manager of Prudential; W. T. Ferry, North British, president of Fire Underwriters Assn. of the Mountain States; W. C. Hulwick, Central Mutual Fire, president of the 1752 Club; W. E. Kersten of Van Schaack & Co., representing Denver Insurors Assn.; Roy Lundberg, Standard & Main, president of Mountain States Casualty & Surety Assn.; S. A. Riesman, vice-president of Security Life & Accident; C. H. Ritter, Ritter general agency; B. S. Rosen, State Mutual Life, president of Colorado Assn. of A. & H. Underwriters, and W. E. Wehrman, Knight-Wehrman agency, president of Mountain States Assn. of Mutual Agents.

Minn. Speakers Club Elects

New officers elected by Minnesota Insurance Speakers Club at Minneapolis are: President, Paul M. Cormack, Western Adjustment; vice-president, M. A. Warner, Jr., Northwestern F. & M.; secretary-treasurer, Ivar H. Aas, Home.

Tax Changes Would Exempt DBL of Self Insurers

Sections 104 and 105 of the proposed revenue revision bill would permit exemption of payments for injury or sickness whether made through insurance or directly by self insurers, up to a maximum of \$100 a week. Payments made by a self insurer would have to be made under qualified plans. Section 106 of the proposed bill would codify the existing Treasury ruling that contributions by an employer for disability benefits are not to be included in the gross income of employees.

Heretofore under case law interpreting prior revenue acts a self insured employer was not permitted to accrue and deduct for income tax purposes funds set up as a reserve for payment of future compensation and other benefits. The new code in section 462 permits such deductions to taxpayers reporting income on an accrual basis.

A committee consisting of R. E. Page, chairman, Dwight Aden, Richard Huner and Avery Peyton, has been appointed by the Spokane Insurance Assn., to investigate the possibility of having a traffic court in Spokane.

North British Names Three in Ohio, Mich.

North British has made three field changes in Michigan and Ohio. Kenneth G. Davison was named special agent for Michigan with headquarters at 2188 National Bank building, Detroit. He was formerly with the Michigan Inspection Bureau.

Robert L. Thomas, who was formerly with the Ohio Inspection Bureau, was appointed special agent to assist David A. Taxter, state agent in southeastern Ohio. Their office is 5 East Long street, Columbus.

Robert E. Belanger was named state agent for north Ohio with headquarters at 1313 Jefferson avenue, Toledo. He will work with State Agent D. E. Gallagher.

Carson General Agent in Central Ohio for B.A.R.E.

Richard H. Carson has been appointed general agent in central Ohio for the commercial division of Benefit Assn. of Railway Employees. Offices will be at 150 East Broad street, Columbus.

Mr. Carson formerly was a district agent for Farmers & Traders.

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- 1 It is NONCANCELLABLE and GUARANTEED RENEWABLE. This means that as long as you pay the deposits the company cannot cancel, change or add a restrictive rider to the contract for any reason whatsoever.
- 2 You may CHANGE TO A MORE HAZARDOUS OCCUPATION without changing your deposits or benefits.
- 3 There is NO LIMIT to the number of claims.
- 4 You are considered disabled when you cannot work at YOUR OCCUPATION or one for which you are fitted.
- 5 You do NOT HAVE TO BE CONFINED TO THE HOUSE to receive benefits under this plan.
- 6 The COMPANY WILL PAY any deposit due during total disability that continues more than 90 days, and also refund any deposit which you may have paid during that 90 day period.

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Workmen's Compensation ★ Automobile

2209 SOUTH MAIN ST.

Craugh Proposes Alternative to Compulsory at Syracuse

(CONTINUED FROM PAGE 7)

a new legislative committee of persons centered in and around the Albany area to provide a working committee to advise the executive secretary and assist in personal contact with legislators.

At the annual business meeting, the association resolved to request that the New York Fire Insurance Rating Org. amend extended coverage rule No. 9 to permit the issuance of a single contract with full coverage EC on the dwelling and \$50 deductible on the contents.

It also requested the executive secretary to write the manager of the assigned risk plan requesting the governing committee to speed up the issuance of JR forms. These are for minor operators or owners for whom automobile is compulsory in New York.

It also voted to contact mutual and cooperative companies requesting they issue a package policy with or without liability coverage.

In addition, resolutions were entertained commending the New York legislature on its compulsory stand and New York State Assn. of Insurance Agents, through John G. Mayer and Albert C. Deisseroth, for outstanding contribution to the business's cause.

In the forum on sales competition, V. T. Ehre, production manager of Lumbermens Mutual Casualty, said that new refined auto classifications previously rejected by the New York department have been resubmitted and should receive some approval.

A survey has shown, he said, that 50% of Allstate and Farm Bureau policyholders would pay more for service of a good agent. In the event of claim, 85% indicated they would prefer to deal with an agent they knew than an unknown company adjuster.

Allen Booth of Plattsburgh urged mutuals to produce a competitive tool in way of homeowner's package policy which would afford more choice in policies and be an improvement over the stock companies' form. Donald W. Goode of Manlius urged members to go back to pounding pavements for new business and admonished agents for being commission conscious.

Insisting that direct writers are slow and over-departmentalized and that frequently their sales forces don't know what the underwriters and claims people are doing, G. W. Milbrandt of Pelham said that an agent can keep up with these phases of his own companies' operation and make a more effective sales presentation to his insured.

Speaking on the continuance of an agency, Harry C. Copeland, general agent of Massachusetts Mutual Life, urged that agents measure life insurance in terms of liquidating loss and, to prevent the loss of agency value and

earning power when the agent dies, suggested agents take in young partners who would insure their lives to pay for the business in the event of the agent's death, take their wives as partners and let them pay the premiums, or contract with a competitor to purchase each other's agency in the event of death, each insuring the other's life.

Common bugaboos regarding the use of foreign markets were discussed by Joseph F. Conroy of Zaun-Conroy of New York City. He noted the broker may place business with companies not licensed if otherwise unable to place the line and he urged diligence in dealing with foreign markets. He noted the wisdom of working with a surplus or excess line broker who specializes in the field. He also warned agents that they cannot write compensation or automobile in foreign companies.

Col. Franklin M. Kreml, director of Northwestern University traffic institute and Clifton Sitts, public support consultant of Insurance Industry Committee on Traffic Accidents spoke on traffic safety and Robert Dineen, vice-president of Northwestern Mutual Life and former insurance superintendent of New York, briefly appraised the New York insurance picture.

McKinney is Named V.P. of Pioneer Auto, Ala.

Pioneer Auto, the Alabama non-drinker auto reciprocal insurer, with executive offices in Chicago, has appointed E. M. McKinney vice-president and director at the Birmingham home office. The company has applied for admission to 16 additional states.

Mr. McKinney entered insurance with the Alabama Farm Bureau companies at Montgomery as chief accountant, subsequently becoming assistant to the general manager, which post he resigned to go with Pioneer.

Robert L. Wrenn Joins American Home Agency

Robert L. Wrenn has joined American Home agency, New York, as manager of the fire department. He started in the business in 1921 with the Gauvin agency, later joined the Hartwig Moss agency, New York, and in 1929 went with Charles Bogert general agency. When that agency was taken over by National Fire & Marine, he was named assistant secretary. In 1945 he joined Pearl and was manager of its metropolitan department until he joined American Home agency.

Franklin County Board Elects

George L. Mirick of Sheburne Falls, Mass., has been elected president of Franklin County (Mass.) Board of Fire Underwriters and other officers are Clifford J. Akey, Jr., of Greenfield, vice-president, and L. Halsea Crosier of Greenfield, secretary.

Address Coast Mutual Agencies

Speakers who addressed Coast Assn. of Mutual Insurance Agencies at Biloxi, Miss., included William Brunson of the Jackson agency, Biloxi, and Frank McRoberts and George Cox of Bruce Dodson Reciprocal Exchange of Kansas City.

C. T. Gunderson of Poulsbo (Wash.) is now the full owner of the Victor I. Card Insurance agency, of that city. The firm will continue to office with the Victor I. Card Realty in the Ivensen building.

Harold C. Watson, vice-president of the Baerwald-Hoffman agency, Milwaukee, spoke on "Keeping Pace," at the annual joint dinner meeting of the Kenosha and Racine Assns. of Insurance Agents at Racine May 18.

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Carr Declares Policies of Providence Washington

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fine old company. We intend to take no action which will change its reputation for integrity. We hope and intend by our actions to strengthen that reputation. Integrity is not simply a question of simple honesty, it is a question of fair, frank and simple dealing and so conducting oneself and the companies that people inherently say to themselves, "I believe in him", "I believe in her", "I believe in Providence Washington and Providence Washington Indemnity."

As to personnel your management is extremely anxious to be on a friendly, personal basis with you. We want to deal with the people in this organization as individuals and human beings who are entitled to have their self-respect recognized. There must be no mystery between the personnel on the fourth floor of the Providence office and any and all other people working for the companies. Our keynote in dealing with the men and women in this organization will be fairness—fairness to them as individuals and fairness to the group as a whole. Fairness does not mean the obligation to pay a salary to those who are not pulling their weight in the organization. Fairness does, however, say that business abilities vary and that the man or woman who is performing his or her job to the best of his or her ability shall be honored and respected for that effort. Fairness does say that all who are doing an outstanding job can and should look to recognition of their outstanding work—all within the ability of the companies to reward those concerned. Fairness means above all else that there will not be favoritism and that there shall not be cliques within the organization. If any person feels, after careful thought, that they have been unfairly treated, I personally would like to hear direct from that person. Fairness means that very few definite promises should be made but that we should scrupulously honor any promises made by those having authority to make such promises. You are individual men and women to us and we want to deal with you on a friendly basis as such.

On steadiness policy we hope to have the wisdom to establish policies which will be followed over a considerable period of time and which will not involve our going uphill and coming down the hill again. All wisdom does not reside in the top management of your companies and in order that they may follow a steady, sound course, we shall be delighted at any time to get the considered opinion of anyone in our organization. We hope that as time goes on you will sense a steadfastness of purpose.

On underwriting, effective immediately, your companies will underwrite for a profit and not for volume. This does not at all mean that we are not going to progress in premium but it does mean that the only premium worth money to the companies is profitable premium. We intend so to conduct our underwriting that we will make an underwriting profit. We want to eliminate as much undesirable business from our books as is practical and to keep and add as much desirable business as we can possibly get our hands on. The elimination of undesirable business cannot be done overnight, as the agents of our companies are our life blood and unless we do this gradu-

ally and wisely, we will seriously disturb our agency plant. We must not seriously disturb our agency plant but, at the same time, we must get our loss ratio in order. The carrying out of this policy will require keen judgment.

As to agents we feel that they are our very life blood. We also feel that the basic underwriting of the companies is done when an agent is appointed. We are most anxious to retain on our books every agent who is average and above average in quality and to add to their number. We desire to eliminate any agents that we may have on our books who are below average in quality. The basic underwriting of the companies will be on an agency basis but this does not mean that we will be able to give to our agents always what they may desire. It does mean, however, that in dealing with our agents we must be uniformly courteous and considerate. Because of our belief that the basic underwriting is done when we appoint an agent, our field force will be judged not only by their volume of premium but equally by the loss ratio in their field. Rewards will go to those in the field based upon both factors, as well, of course, as their cooperation with the companies, etc. When judging loss ratios, we want to be advised of and take into consideration any unusual loss which might upset the particular loss ratio if that loss was on a risk which we would be most happy to take on again for the same amount.

In respect to general agents, up until the recent change in management, it has been the long-term policy of the companies to eliminate the general agents. The new management feels differently. We desire to keep indefinitely the general agents that we now have as long as we make a profit from that general agent and the relationship between that general agent and us remains satisfactory. We intend to appoint new general agents in states where we do not get business at the present time. We expect in three or four states to change from direct production to general agency production because we do not have sufficient premium in those three or four states to justify the expense of direct production.

We firmly believe that Providence Washington and Providence Washington Indemnity have a future and that you, as individuals, have a secure future. We have a challenge to meet and I think that we can meet that challenge. I would like to have us conduct ourselves as simple, self-respecting folks going about our business intelligently and living within their income.

U.S.F.&G. Names Fletcher

Donald Fletcher is the new assistant manager of U.S.F.&G. at Portland, Me. He has been a casualty underwriter and superintendent at Portland since 1947. Before joining U.S.F.&G. he was with London & Lancashire Indemnity and Great American Indemnity in Boston.

Clubs Give Program for Patients

Insurance Clubs Entertainment Bureau at Hartford will present a show for patients at Norwich state hospital. Doris K. Stiebitz of Phoenix of Hartford arranged the program.

The insurance department of Bedford & Sherman Realty, Moses Lake, Wash., has been purchased by Howard K. Horan, formerly with the marine department of the General of Seattle.

Plans for the annual "Bosses' Night" dinner meeting of Insurance Women of Kenosha were made at the last meeting. Delegates reported on the recent St. Paul regional meet-

Russell Hobbs Feted by Bureau Associates

(CONTINUED FROM PAGE 2)

Missouri Inspection Bureau, made this presentation.

Harvey E. Goranson of the Tennessee bureau gave Mr. Hobbs a fine country ham on behalf of the inspectors. George Parker, Kentucky manager, presented Mr. Hobbs with a commission as a full colonel in the Confederate air corps and with another commission as a Kentucky Colonel. Mr. Hobbs is a member of the Sons of

Confederate Veterans and was overseas in the first war.

In his response, Mr. Hobbs commented that he has known many of the men who were at the dinner for what amounts to a lifetime. For example, his acquaintance with Mr. Terry began in 1912. Thus for him each inspection bureau in W.A.B. territory is a personal friend, he said.

At a business meeting of the bureau managers in the afternoon, Mr. Hobbs formally resigned as secretary, and Kent Parker was unanimously elected to succeed him. Mr. Hobbs was elected a life member of the conference.



Quartet of veterans at the Bureau Managers Conference dinner honoring Russell Hobbs: Charles J. Lund, retired general manager of Fire Underwriters Inspection Bureau, Minneapolis; E. M. Sellers, retired manager of Indiana Inspection Bureau; Paul W. Terry, general manager of Missouri Inspection Bureau, and G. H. Parker, manager of Kentucky Inspection Bureau.

Kansas Towns Barred from Buying Liability Coverage

Kansas municipalities and other taxing sub-divisions cannot legally buy liability insurance, Attorney General Fater has ruled. His decision followed that of Kansas supreme court, which declared that charitable institutions are liable for damages caused by their employees.

Mr. Fater said: "We have consistently held that the state of Kansas, its several sub-divisions, and the municipalities located therein are immune from liability for the torts of their agents when such agents are acting in a governmental capacity.

"Inasmuch as no general tort liability can exist on the part of the state or its sub-divisions, it is manifestly improper to expend public funds for insurance against such liability."

Bill to Insure MVs of U. S.

WASHINGTON—Rep. Pilcher has introduced a bill to authorize purchase of liability insurance on government vehicles.

This reflects the approach being studied by the Kilgore subcommittee as an alternative to government non-insurance.

Buyers Dinner June 10

At the annual dinner meeting of Savings Banks Insurance Forum of New York State June 10 in New York City George I. Gross, insurance attorney with the firm of Powers, Kaplan & Berger, will speak on "The Rights and Responsibilities of the Mortgagee".

Guarantee Mutual to Rally

Guarantee Mutual of Springfield, O., will hold its first combined agency and field meeting at the home office June 2-4. J. H. Rohrer, agency vice-president, will be in charge and will be host at a buffet supper at his home which will open the session.

M. J. French, secretary, Charles White, Fremont, Mich., who is a director of National Assn. of Mutual Insurance Agents, and Donald Hawkins, assistant manager Mutual Loss Research Agents, and Donald Hawkins, assistant manager Mutual Loss Research

Bureau, will speak at the session Thursday morning. On the Friday morning program will be W. H. Rodda, Chicago, secretary Transportation Insurance Rating Bureau; John Griffin, underwriting manager of the company, two leading general agents, John Ratner, Greer, S.C., and William Swigart, Huntingdon, Pa., and four field men, R. M. Guthrie, P. O. Fiedler, Kenneth Younce, and D. W. Caton. There will be a dinner Thursday evening and Thursday afternoon will be free for home office visits and golf.

No DLB Assessment for N. Y. Special Fund

There will be no assessment this year under the New York state disability benefits law for the special fund for disability benefits, according to Miss Mary Donlon, chairman New York State Workmen's Compensation Board.

Under DBL assessment against insurers who provide such benefits is levied at the close of the state's fiscal year, March 1, whenever the balance in the fund on that date is \$1 million or more below either the sum of \$12 million or twice the sum of benefits paid out of the fund during the preceding fiscal year, whichever is greater.

Net assets of the special fund April 1 were \$11,439,847. Net benefits paid out of the fund during the year ended March 31, totalled \$54,512. Accordingly, Miss Donlon has ruled that no assessment is necessary this year.

Steckler Names Roberts

James L. Roberts has been named by Henry A. Steckler Co. general agency of New Orleans as special agent in north Louisiana, with headquarters at Monroe.

Mr. Roberts has been with a local agency for several years at Monroe.

Samuel J. Campbell, president of Kable News Co., Mount Morris, and F. W. Gaffney, president of Rockford Bolt & Steel Co., Rockford, have been elected to the Illinois manufacturers advisory board of Lumbermens Mutual Casualty.

Lewis & Cawthon general insurance agency has been formed in Dallas with offices at 5946 Northwest Highway by the merger of the John R. Lewis and Cawthon Co. agencies.

To Agents and Brokers:
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Things every Insurance Buyer
should know—No. 72

WARNING

*to the Home Owner
with a MORTGAGE*



Is the insurance on your home sufficient to cover only the amount of your mortgage—leaving your own investment in the property unprotected?

That is the unfortunate—and usually unintentional—position of many home owners today. Banks and other lending institutions do not usually insist on more than enough insurance to cover their loan. The mortgage, of course, is not likely to be for the full value of your property. Since there is no requirement that your investment in the property be insured, it may easily be overlooked. Thus in the event of severe fire or other damage, your full equity in a home might not be covered.

Our advice to home owners: See a competent, independent insurance agent or broker. Let him make certain that you are protecting your full interest in the property. Ask him, too, if the new Homeowners Policy is available in your area. If so, you will be able to get more comprehensive protection in a single policy at reasonable cost.

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Fire, Marine and Casualty Insurance

Agents Can Merchandise Auto Successfully: Farrer

(CONTINUED FROM PAGE 5)
cash and carry streamlined methods and procedures.

Rewarding safe drivers is an important factor in the policyholders service plan. It has been developed with full recognition of the desire among safe drivers to have some acknowledgement of their record reflected in their insurance costs. Merit rating makes sense to the overwhelming majority of safe drivers who ask why they should pay the same rate as the unsafe driver who is the cause of most accidents and thus responsible for the premium increases.

The merit and demerit rating feature of the policyholders service plan has the following modification schedule of debits and credits applying to standard rates: A 20% credit for no accident in the past 24 months, a 10% credit for no accident in the past 12 months, a 10% debit for one accident in the past 12 months, a 20% debit for two accidents in the past 24 months (if at least one of these has occurred during the past 12 months), a 30% debit for three accidents in the past 24 months (if at least one of these has occurred during the past 12 months).

Definition of an accident is as follows "An accident shall mean an incident which occurs during the experience period amounting to a loss of \$100 or more, whether paid or held as a loss reserve by the company. Such accident shall have been incurred by any driver of the vehicle to be insured."

The accident record for credits is not restricted to the record with the company. Accordingly, a new policyholder with an accident-free record as recorded in his signed application is eligible for maximum credits and will continue to have them so long as his driving record warrants. As accidents occur, debit rates are applied at each renewal until a full year with no accidents has been experienced—then the credit schedule goes into effect, and as the insured develops a safe driving record, he earns a lower cost in his automobile insurance.

Policy assurance by the company with countersignature and delivery by the agent is a feature of the policyholders service plan. It is consistent with agency operations. And the issuance within six months, and each succeeding six months period thereafter as may be in order, of a 3-in-1 combination renewal notice, premium bill and renewal certificate by the company to be forwarded to the agent for countersignature and delivered to the insured, still enables the agent to maintain control over his renewals.

The requirement of having the premium made payable in full to the company is a prime factor in streamlining the methods and procedures necessary for a cash and carry automobile plan; and it can be a boon to the agent's collection problem—for payment of premium by a specific date, the due date, is a condition of the policy under this plan.

The centralization of the recording and accounting of the business, the elimination of all possible duplicate efforts and eliminating the burdensome expense of credit in the matter of payment of premiums, produces considerable savings in both home office expense and local agent's expense. And, these savings, plus a lower acquisition cost, can be passed on to the public.

There is no discounting of losses and claims, and therefore the loss-paying power of the companies must be maintained for adequate financial strength. The policyholders service plan is based on a higher allowable loss ratio, permitting 65 cents of every premium dollar to be paid out on losses and still provide a return to the company for its risk bearing. Thus there is a possible solution to making automobile insurance for agency companies profitable once again, thereby broadening and improving the market for agents, he declared.

Agents can merchandise automobile insurance too, thereby increasing their volume of automobile business. With the plan, agents can reduce their work load and expense and place themselves in a competitive position to cope with the non-agency companies whose rapid growth and noteworthy success in this field is proof positive that modern merchandising of automobile insurance is obviously what millions of auto owners want.

\$200,000 Subrogation Action Against Town

Lumber Mutual of Boston has written the town of Greenwich, Conn., as a result of a \$200,000 fire that destroyed the millwork concern of Johanson Corp. on the Boston Post road, at Cos Cob recently. Attorneys for insurer and Johanson charge that agents of the town negligently placed a Dietz flare, or permitted it to be placed, in such a position along the Post road so that it could be struck by a vehicle and thrown into the property of Johanson.

Fire officials indicated that the blaze might have been caused by a trailer truck hitting a kerosene safety flare and throwing it into the millwork property. In the letter to the town, attorneys indicate that perhaps the state also is liable.

33 Companies in AFCO

Thirty-three companies have become subscribers to AFCO, Inc., the new premium financing organization in New York, Willard E. Unzicker, operating vice-president, told members of Automobile Underwriters Club of New York. AFCO was taking business from 38 states as of May 15 and expects to operate on a country-wide basis by June 1. At that time, Mr. Unzicker said, it is expected several more companies will have enrolled.

He explained how the plan can be applied to other lines of fire and casualty besides auto under one of the various budget arrangements now available.

Selberg Promoted at Los Angeles

Edward R. Selberg has been named the manager for United Pacific at the Wilshire office at Los Angeles. He has been with the company since 1948, starting as underwriter at Los Angeles and later becoming supervisor of underwriting. He transferred to the Wilshire office in 1953 as an assistant manager.

Hanafin to Move to New Offices

Robert J. Hanafin of Endicott, N. Y., will move into beautiful new offices there about June 1. There is to be an opening which will be attended by friends, associates and company officials.

Fred J. Martin, local agent at Yonkers, N. Y., was honored at a luncheon marking his 25th year with Pennsylvania Fire. Secretary K. W. O'Leary of the metropolitan department of North British group was host.

The J. M. Collins & Co. agency at Little Rock, Ark., has moved to new offices in the Wallace building.

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Meet Direct Writer Prices with Service: Gallagher

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operate, the agent must charge all insured at least 112% of the normal premium so there will be a 15% refund for the 88 policyholders out of every 100 who won't have a claim in a year. The commission scale will have to be reduced.

Another opportunity for local agent merchandising is the fleet owner or other commercial risk, Mr. Gallagher pointed out. Direct sellers have been most effective in the family automobile class, but they don't want the large commercial risk business for they have no safety engineers, auditors and only a smattering of worthwhile claim service.

Generally speaking the direct writer does not serve the public generally as the agent does. He picks and chooses, leaving the fins, head and bones for the agent. There are exceptions, but by and large the direct seller has little community responsibility.

Not too long ago a new type of insurance operation came into being in Florida, the self-insurance pool. It became an insurer over-night, writing workmen's compensation with all the rights and privileges but not with the comparable responsibilities of regulated and incorporated insurers.

• • •

This competition affects the agent because it means definitely that if he loses the WC, then automobile, fire and liability lines are logically the next to go. The operation is not illegal, but who will make money out of such a pool, he asked. Not even the subscriber will receive any great saving.

The permissible loss ratio on WC in Florida is 57.5%. (The actual loss record of all licensed insurers was around 72% for 1952 and slightly higher in 1953.) It costs a little more than 8% to run a claim department, or, on the permissible, a total of 65.5% for claims and losses. The tax burden in Florida is 4.7%; the commission scale for general agents runs from 17½% to 6% depending on the risk. Safety engineering, auditing and company expense makes up the difference except for a 2% profit factor the companies are permitted and have been unable to make for years.

• • •

Costs might be cut a little through sharp claim practices, but no one wants that. Most of the real difference in cost is in the amount of the local agent's commission.

The self-insurance movement can be offset only through salesmanship and local influence. It is the local agent's job to awaken the community to the advantages of sound, stock company coverage plus good agency service.

Agents have a good tool to use against the participating insurer in compensation lines where the premium runs \$5,000 or more. The self-insurance plan has the agent beat on the price basis of the first \$1,000 of premium, since he pays a 15% dividend. But on the next \$4,000 the agent's discount is 9% while the self-insurance plan rate is only 3.5% below manual. On that part of the premium in excess of \$5,000 the agent's discount is 14.5% against the credit of only 6.5%. Don't let the salesman for the participating company get away with the 15% dividend sales talk on the larger risks. A few examples of the difference in cost at the \$5,000 and higher levels will en-

able the agent to meet this competition.

Some salesmen for participating companies in their anxiety to get business have overlooked a section of the Florida law and quoted the prospective dividend in advance. Some of these people weasel the dividend clause into the original quotation. When the agent lets them get away with it in one case they may use it again. It is a distinct violation of the law and the agent should be alert to it.

Mr. Gallagher said he has always felt there should be no deal permitted where one could share in the profits but have no responsibility when something goes wrong. A no assessment clause in the policy doesn't make it gospel. The fellow who drafted the policy doesn't have the final say as to its interpretation; that authority rests solely with the courts.

In general liability lines, the agent can make use of rating credits on risks with annual basic premiums of #100 and more. He should not, willy-nilly, deliver renewals or take on new business without considering the possibility that insured is eligible for experience and schedule rating treatment. Many agents have lost risks needlessly because they failed to acquaint themselves and their associates with competitive tools readily at hand and never used.

Last November Florida had a rate decrease, a substantial one in automobile physical damage lines, both fire and collision. Some agents lost business to direct writers because they failed to endorse current policies eligible under the rule to reflect the rate reduction. It is a lot of work and expense to refund \$1.35 and put it through the books. But when an agent comes forward promptly and places the money in insured's hand, it makes good will that thousands of advertising leaflets will never create.

He advised agents to represent good companies, sell themselves, their agency facilities and their company stability and claim service.

An agent's chair is the most dispensable article in his office, Mr. Gallagher said. It is also the most costly. He gets glued to it and he begins to lose sales technique and the old fighting spirit that made the industry big and strong and respected. When he feels the chill of cut-rate competition it is time to get up and get out.



Behind every Pearl-American agent are the facilities of one of the world's greatest companies.

Ample assurance of close support from field men and underwriters plus fast, accurate, dependable service.

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Vincent President, Ellis Veep at Texas Agents' Meet

(CONTINUED FROM PAGE 2)

Mr. Pearson said he does not think that anyone adequately analyzing the operation of a modern agency can say they are sound. Insurance buyers are an independent public, and they are not going to have their buying habits changed over night. They won't suddenly decide they can pay all cash for a policy they have been privileged to pay out in monthly installments, nor are they going to like the billing direct from Boston or New York, or San Francisco or

Hartford. Before they pay for their policy, they want to discuss what it covers and perhaps have it broadened, or make some of the multitude of changes that come into the mind of an average buyer.

Mr. Pearson said any insurance commissioner or company official who spends a day in the office of a well organized agency and experiences the customer relations that take place will know that the price of a local agent is a well fixed and necessary one. The agency system has served the companies well, made the recruitment of personnel by them unnecessary and has

been a protection to the public in that agents have banded together under a code of ethics that is sound and will back up their policies even beyond that of the company itself.

By turning to modern merchandising methods and by aggressively improving the product the companies and agents together can make certain of the continuance of a system that has made America the best insured country in the world.

A more competitive insurance business is in the offing in Texas, Garland A. Smith, chairman of the Board of Commissioners, said in his talk. Mr.

Smith stressed that fundamentally insurance laws in Texas are sound. His remarks on the subject appear on page 32.

With the entry in Texas of more companies, Mr. Smith said it means the days of a fairly static, complacent era are gone and the situation as of now is very competitive. Selling must be sharper, he said, urging fire and casualty companies to survey what has happened in the life insurance business. In that field, he went on, there has been a decisive, almost miraculous change in agency concepts over the past 50 years. For years it was axiomatic that when a man had failed as a lawyer, as a school teacher, a preacher or in business, he would go out among his acquaintances and sell life insurance.

Today, Mr. Smith said, life insurance producers are trained professional men. This does not imply that fire and casualty salesmen are hacks, Mr. Smith said. Nevertheless, the time has come that those who will seek to enter these fields should be screened more closely and given more leeway in salesmanship. Many agents are so loaded with details they have no time to get more business, and some are not trying because they do not feel they can spend the extra money for high-priced help to service the policies. Some way must be devised to take various burdens off these agents so they can get away from their offices and become producers again.

Commenting on direct writing competition, the speaker said "there is no doubt proper service at the local agency level will fully serve the public need." However, he added, there are some repetitive functions, and unnecessary detail, which can make the system vulnerable on those lines where little service is required. Proper remedies will make the system inviolate "but you must earn your keep in the American scheme of things or the discriminating buyer will find a way to by-pass you."

Turning to legislative matters, Mr. Smith warned of the possibility of undesirable amendments being tacked onto changes sought in the agents' licensing law. Cautioning his hearers to be constantly on the alert, he said there are forces strongly opposed to the law in its present form. He said there are others who would be pleased to amend the casualty rate laws so they might become only an umbrella against federal control. He said some who had done well in the present areas of little control desire to prevent any further power being handed the board on rates, policy forms or stock selling schemes. That group will be organized and present when the next legislature convenes and, he stressed, it is up to the industry to meet their challenge or sit idly back and allow them to operate as they are now.

The conference of local association officers was presided over by Chairman Mark Wentz, president of the Big Spring association and the new fire insurance commissioner. Frank Lindsley, Retail Credit Co., Dallas, discussed the use of inspection reports; Hugh V. Keepers, assistant manager of Fire Prevention & Engineering Bureau of Texas, discussed the film service now available to assured through local agents, and Carl Hunt, president of the Dallas association, explained the problems involved in the placement of insurance on public property through a local board.

Local association presidents were honored at a dinner, with James L.

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EXCEPTIONAL opportunity for women trained in National Bureau, NAUA rules for private passenger business for Home Office in Texas. Very sound, growing company. Unusual benefits and pension plan, attractive surroundings, good climate. Give business and educational history, personal data, references, salary expected. Reply to Box Z-10, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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for fast growing, multiple line stock company operating nationally. We are interested in an aggressive, experienced man interested in becoming associated with a top-rated company with progressive policies and many ideal employee benefits. The man we are looking for will be top-flight with a pleasing personality, sincerity and one looking for a career job. If you are not pleased with your present association, it will pay you to investigate this opportunity. Write Box Y-78, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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AGE 41

Graduate of Williams and Harvard Law. Former State Insurance commissioner desires to return to private business and associate himself with Life, Fire or Casualty company in legal department.

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One of the leading and most progressive multiple line insurance organizations in the country is seeking an outstanding underwriter who is capable of designing and expediting the state filings of individual accident and health policies. This is a top opportunity for a man with outstanding ability who wants to live in the midwest. In your letter give us in full detail all personal and work history. Address Z-15, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

AUTOMOBILE UNDERWRITER

Capable of Assuming full charge of Underwriting Department of small, young Ohio Capital Stock Company. Male, age 28 to 35. Salary commensurate with ability and experience. Bonus and retirement benefits. Inquiries confidential. Our employees know of this ad. Address Box Z-21, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Illinois.

WANTED

Man, between 25 and 35 years of age for Northeastern Ohio General Insurance Agency. Must have good knowledge of either Fire or Casualty and qualified to service present accounts in large old established agency. Salary open. Wonderful opportunity for advancement. State age, experience, marital status and other pertinent confidential information. Address Y-92, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

FLORIDA OPPORTUNITY AGENCY GIRL

We have a position open for a girl who has experience in agency work (all lines). Our office located on Atlantic Ocean between Palm Beach and Fort Lauderdale. Write—stating age, experience, education P. O. Box 2177, Delray Beach, Florida.

WANTED CASUALTY FIELDMAN

By Michigan stock company to operate out of home office in one or more surrounding states. Excellent opportunity for the right person. Company just entering casualty field. Replies confidential. Write giving age and experience. Address Director of Personnel, Preferred Insurance Company, Box 75, Grand Rapids 1, Mich.

FIRE STATE AGENT

Headquarters Indianapolis. Good opportunity and excellent future for young man with underwriting or field experience with one of the outstanding stock fire insurance companies. Prefer man 25 to 35. Good starting salary, liberal pension plan and other benefits. In reply state age and qualifications. Republic Insurance Company, 309 West Jackson Blvd., Chicago 6, Ill.

WANTED CASUALTY SPECIAL AGENT

By old responsible Casualty Company. Young Man with some casualty underwriting experience in Midwest operating from Des Moines. Right man can make excellent future for himself. Address W-90, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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Young man, fire and casualty experience, to manage insurance department in the office of Byron W. Trice, Realtor. Good salary and commission. Call UN 2-5300 for appointment or write 7134 West Seven Mile Road, Detroit 21, Michigan.

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Many years experience General insurance agency. Broad knowledge of business. Excellent address Z-13, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

LOCAL AGENCY WANTED

Will pay cash, or cash and percentage of income for Agency or Agency partnership with \$10,000 to \$20,000 annual comm. Give description of business, agency history, companies represented and terms required. Reply Box Z-4, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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WANT TO RETIRE? CONCENTRATE ON REAL ESTATE? MOVE? I want to buy small general agency handling Old Line Stock Companies: small town, preferably Colorado, New Mexico. Would consider sales: guarantee, plus commission. Experienced, 31 years, married. Box Z-11, The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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Randel, Wichita Falls, a past president of the Texas association, presiding. Hosts were the Fort Worth association, Commercial Standard and Houston Fire & Casualty.

The film, "I Take Risks," was shown through the courtesy of the North Texas Field Club, and a skit covering a typical day in an agency was presented by Jack Sucke and J. A. Parker, Austin agents, and G. A. W. Kinney, Texas Casualty. There also were talks by A. Lawrence Pearson, Jr., executive vice-president of Massachusetts Bonding; Gordon S. Yeargen, president of Trinity Universal; John F. Neville, secretary and general counsel of NAIA, and Jeff H. Williams, Chickasha, Okla., lawyer and humorist.

NAIA President E. J. Seymour, Monroe, La., and J. B. Saunders, casualty commissioner, officiated at the installation of new officers. Other convention features were a breakfast staged through the courtesy of Atlantic and Gulf and a luncheon and style show and a tour of the city for the ladies.

New Minnesota Regional Hears Talk by Phillips

A. L. Phillips, Minnesota Fire Underwriters Assn. president, told newly-organized Insurers Assn. of the St. Croix Valley in a Minneapolis talk that he has detected a trend among insurance buyers in recent months to purchase quality rather than price. Mr. Phillips, state agent of National Union, said new and broader forms of stock companies are providing good competition for mutuals and cut-rate companies. Other speakers were Jerry Dakers, Agricultural, and George Blomgren, executive secretary-treasurer of Minnesota Assn. of Insurance Agents. A. T. Victor of Lindstrom was elected president of the new group, a regional of the state association. Howard Dumphry of Stillwater is vice-president and Albert Peterson of Lindstrom, secretary-treasurer.

Montana, Wyoming Agents to Hold Three-Day School

Montana and Wyoming Assns. of Insurance Agents will hold an insurance school June 22-24 in Billings. Topics of the sessions will include building agency prestige, agency management, and how to make competition.

Speakers will include Gardner L. Waite, Bozeman, Mont., member of the National Assn. of Insurance Agents committee; Eugene A. Toale, New York City, director of education, NAIA, and Frank C. Colridge, San Francisco, manager, Board of Fire Underwriters of the Pacific.

Discuss Safe Driving Program

Auto accident prevention through a safe driving program and stricter law enforcement was discussed at the May meeting of Green County Assn. of Insurance Agents in New Glarus, Wis. Speakers were Philip N. Snodgrass, secretary of General Casualty, Wis., Charles Gardner, local police chief, and William E. Mitchell, county undersheriff.

Schaeter to Atlantic Mutual

Raymond C. Schaefer has joined the New York metropolitan production department of Atlantic Mutual and Centennial. For 18 years he has been with Aetna Casualty. His office will be at the company's home office, 49 Wall street, New York.

The Jaffe agency at New York City has been appointed to handle fire and allied lines in metropolitan and suburban New York for Home F.M. of Fireman's Fund group.

Commissions, Direct Writing Renewal Right Aired at Iowa

(CONTINUED FROM PAGE 2) all of the state's high schools, a statewide motor vehicle inspection law, and revising the present driver's license law to better protect the citizens of the state.

Resolutions calling for state legislation on insurance included proposals that the statute be changed on co-insurance so that all forms and riders be submitted and approved by the state insurance commissioner; that a statute be enacted to permit the placing of excess coverage and accommodation lines with companies especially licensed for that purpose; and that companies participating in the Iowa assigned risk plan be required to pay a uniform commission to all processors.

The association also went on record as proposing to the companies that they make the following changes in their present practices: Equalize the fire dwelling rate for approved and wood shingle roofs, substitute dwellings 1-4 family for the present classifications; eliminate the \$50 deductible provision from additional extended coverage, and make all classes of property eligible for term discount.

E. J. Seymour, president of the National association, one of the principal speakers at the convention, stated "There are some vigorous elements in the insurance industry and elsewhere who would like to force federal regulation in the place of the present system. This constitutes a definite threat to the American Agency system."

E. R. Hurd, Jr., superintendent of sales promotion for American-Associated, entered the direct-writing situation by stating that the weakness in self-service insurance plans is that it is economical only when the buyer is competent to do his own purchasing.

Mr. Cheyney, in his report as retiring president, urged that the association continue its educational meetings in every district; that it should continue the 14 standing committees which correspond with the 14 National association committees; that it should engage legal counsel for the benefit of its members; and continue active participation in the governor's highway safety program.

Iowa Governor W. S. Beardsley told the agents that "Business cannot get off the ground without insurance". He commended the agents for what he de-

scribed as "their fine services and ethics performed in the state", and urged the agents to take a more active part in highway safety work, especially in helping to support teen-age driving clubs over the state.

Two panel sessions were held. The first one on "Production and Coverages," with Thomas Moore, Sr., of Des Moines serving as moderator, discussed "Contractual Liability and Hold Harmless Agreements", by O. W. Hammond, Des Moines; "The New No-Coinurance Business Interruption Forms", Charles A. Russell, Oskaloosa; "Replacement Cost Insurance", John G. Ruhl of Davenport; and "Improvements and Betterments Coverages", Richard Grossman of Marshalltown—all local agents.

The second panel was on agency management problems with William Brunk of Ottumwa, former state president, the moderator.

The association at its closing business session also adopted a new set of articles of incorporation and by-laws.

Role to Insure City Vehicles

Kenneth W. Rolfe, local agent at South Portland, Me., has been awarded the contract to insure the city's vehicles. The coverage includes 10/20/10 liability and fire and theft on a premium of \$2,233.

Asks U.S. Cover for Peaceful Atom Risks

F. K. McCune, of General Electric asked the joint Congressional committee on atomic energy in Washington to consider government insurance to protect private industry against the possibility of catastrophe as efforts are made to develop atomic energy for peace time purposes. He indicated industry is unable to obtain adequate insurance against atomic risks, and pointed out damage might be more than the assets of any contractor or insurer.

Management believes that for some time industry will continue to be unable to get enough insurance from any private source anywhere, in the U.S. or abroad. There is always the possibility that accidents may occur for which the atomic contractor may be held legally liable. Private industry can and should carry insurance to the extent the insurance business can and will provide protection. However, this coverage would not be enough. Higher limits are needed if wide atomic industrial progress is to be attained.

Charles L. Hodgman has resigned as Minneapolis resident manager of Hickman Williams & Co., to join Charles W. Sexton Co., Minneapolis agency.

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ASSETS

Bonds	\$ 8,469,071.89
Stocks	1,914,804.74
Cash in Banks and Offices	1,038,632.41
Agents' Balances (Not over 90 days)	1,211,036.91
F.H.A. Mortgages	37,815.46
Home Office	93,155.06
Accrued Interest and Miscellaneous Funds	221,792.55
Total Admitted Assets	\$12,986,309.02

RESERVES AND SURPLUS

Claims Reserve	\$ 5,177,657.34
Unearned Premiums	4,259,053.68
Commissions	40,000.00
Tax Reserves	268,331.36
Miscellaneous Reserves	352,769.42
Voluntary Reserve	\$ 388,497.22
Capital	1,000,000.00
Surplus	1,500,000.00
Surplus to Policyholders	2,888,497.22
Total Liabilities	\$12,986,309.02



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Texas Reform Plans to Seek Legislative Recognition

(CONTINUED FROM PAGE 1) have brought the situation in Texas to light and we are glad that the issues have been drawn out into the open before the situation got worse. The older companies had an idea that such a situation was developing and they feared it might reflect upon their good reputation. We have been apprehensive at the way in which numerous new companies have been springing up.

"Stock companies have been advocating an overhauling of the laws a long time, but because of localized political pressures it has been impossible to achieve any reform. To back improvement of the laws openly was simply the 'kiss of death.'

"We were always defeated with the accusation that the 'big companies' were 'trying to put the small companies out of business.' So we have had to work quietly for more adequate insurance supervision. Now we can cooperate in the open with efforts to improve the situation."

"The stock companies want to assist in every way in improving the statutes and regulations. Especially important is it that all new companies

be examined before they are issued a license. We must be watchful, however, that under pressure of the moment the regulations are not made too restrictive."

Publicity about failures of Texas companies has had a definitely adverse effect on the business as a whole in that state. The daily press has been particularly tough, some of the papers running articles almost daily with such headlines as "Thousands Being Billed by Fly-by-Night Insurance" and containing comments to indicate that a prospective policyholder has no means of knowing, after having lost his money in one defunct company, whether the next one has any stability.

The recommendations of Garland Smith for new legislation include:

1. A requirement that real estate boards make appraisals of all properties which companies may enter as assets. (As the law now stands, some of these properties can be appraised by any two "freeholders.")

2. Prevent fraudulent claims as to financial status based on short-term bank loans payable on demand. (The court indicated that Texas Mutual apparently utilized this device to obtain its original certificate to do business.)

3. Put a control on investments by insurance companies.

4. Place the sale of insurance company stock under the state securities act.

5. Provide the board of commissioners with better control over policy forms.

6. Increase the capital required for organization of new companies.

Mr. Smith said practically all of these proposals had been made to the legislature by the late George Butler, former life commissioner and former

last winter and Mark Wentz, fire commissioner, received his appointment only about 10 days ago to succeed Paul Brown.

The recommendations of Lieutenant-Governor Ramsey include the writing into law the standard to evaluate real estate as an asset; state regulation of insurance stock sales; closer scrutiny over policy forms, and stricter rules on financing new companies.

"We cannot permit growing pains of a few concerns, as evidenced in our court rooms, to stunt the growth of a sound business," Mr. Ramsey declared. "The men who know the insurance business and have a stake in its welfare should help. I think they will. It is to the interest of all Texans to see that a few fly-by-night companies, run on speculation and unwitting management do not tear down what the majority of the companies have built."

In addition to Mr. Ramsey, who is seeking reelection as lieutenant-governor, the legislative counsel consists of the speaker of the house and five senators and 10 representatives.

Charges contained in the court decision on Texas Mutual have caused Texas Bar Assn. to refer to its grievance committee to determine whether the laws and ethics of the profession had been violated by some of the lawyers mentioned.

Addressing the annual convention of Texas Assn. of Insurance Agents at Fort Worth, Garland A. Smith, chairman of the board of commissioners, averred that "fundamentally, at all levels, the Texas insurance industry is sound in every particular." He said the record of the business in Texas is "so secure, so outstanding that it cannot be destroyed, nor even tarnished, because there are a few legal loopholes through which a few termites occasionally manage to crawl."

Describing the Texas insurance industry as sound as that in any other state, Mr. Smith said he believes the industry will go before the next session of the legislature with the laws needed to close the doors in the face of "those who would walk in and wreck the entire structure." He predicted that the legislature "this time" will listen to the insurance leaders and pass whatever laws are deemed necessary. Present defects will be remedied, he said, and fringe operators and under-the-table dealers will be outlawed.

Mr. Smith said no newspaper headlines are given to the more than a thousand insurers operating in Texas who over the years have done an outstanding job. Rather, he said it is "the occasional company that goes broke, the out-of-the-ordinary remarks of criticism from some persons of eminence" that are publicized and bring disrepute upon the rest.

"It behooves each of us to assist and ferret out fraud and practices detrimental to the good name of insurance," Mr. Smith commented. "This will take time, manpower and money, all of which the board of insurance commissioners has too little." Nevertheless, he said, the board will continue to eliminate or correct abuses and punish guilty operators to the full extent of the law.

To the man in the street who reads that a company is going into receivership, or who has a policy in that company, Mr. Smith said it must be puzzling to him that any malpractices were not discovered sooner. "I can

say that the board has been greatly disturbed over the fact that what would seem to be reliable and trustworthy sources of information, have in some instances turned out to be just the opposite."

Mr. Smith said this has required meticulous cross-checking which is both time consuming and expensive. The board is supervising more licensed insurers than any other state with about half the qualified examiners to meet statutory requirements. Still, the board concentrates all available forces whenever there is indication of smoke and reviews new applications with the greatest of care. This is not done with the goal of preventing the formation of new companies, but to assure their being legally organized and to forestall activities contrary to good practices.

Reiterating that Texas laws fundamentally are sound, Mr. Smith said that they do need tightening and modernization in some places. He mentioned increased financial requirements for certain types of companies, firmer control of county mutuals, requiring that Lloyds and reciprocals be subject to the same controls as stock, mutual and similar concerns with respect to fire lines.

Mr. Smith said the four "most recent and notorious additions to the receivership list" in Texas have been companies securing business primarily or exclusively through local agents. He cautioned the agency system and insurers to take a careful inventory "and be guided by the top heavy stock of some items and the serious lack of others." He said he referred to those companies "prompted for a quick dollar that feed on the high loss ratio class of business, such as young drivers, armed service draftees, small compensation and risks and the like."

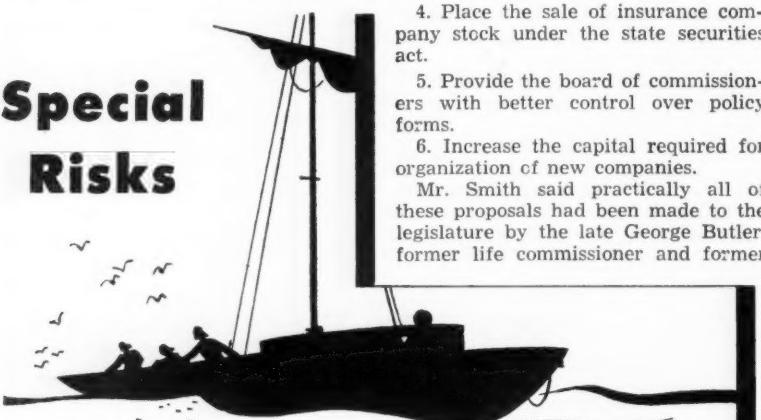
"Assigned risk plans and pools are created to furnish coverage to risks that are not sought by the rank and file of insurers," Mr. Smith said. "It can only be surmised that those agents funnelling business into those companies did so for two primary reasons: Higher commissions; less work attached to the placing of the coverage. I remind you that it is a requirement of both the automobile assigned risk plan and the workmen's compensation risk pool that all applicants be handled through licensed recording agents and solicitors and a commission paid on each and every risk."

Mr. Smith explained this requirement is for the benefit of agents. With it, he said, goes the responsibility that has not been discharged in all instances. He said he has heard agents who have bragged about the fact they did not have a risk in either plan. It is possible they are placing such risks with companies they represent, though also it is possible they make no particular attempt to help those seeking coverage, but leave them to the commission-hungry agents who place them in promotional type companies.

New WC Procedures Explained

New hearing procedures for New York workmen's compensation are being explained to business and professional men of the metropolitan area at a meeting in New York City this week. Speakers include A. E. Altenderfer, assistant division claims manager of Liberty Mutual; Samuel Kaltman, attorney of Aetna Casualty and Warren C. Tucker, claims attorney of Utica Mutual.

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You may not associate water craft with the special risk market, but actually in every community near any body of water there are such risks.

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board chairman, who was in office at the time Texas Mutual was organized. Incidentally, no present member of the board was in office when Texas Mutual came into being. Only one of them, Mr. Smith, was on the board when the company was declared insolvent. Casualty Commissioner J. Byron Saunders was named to his post

Non-Assessable Policies of Texas Mutual Are Upheld

(CONTINUED FROM PAGE 1)

parison with the concurring opinion of Judge J. Harris Gardner. Judge Gardner was vitriolic and blasted right and left at the Lowry brothers, organizers and operators of Texas Mutual, and the Texas department.

The gist of the court's opinion was that since the commissioners had determined that the alleged \$200,000 of surplus existed the purchasers of non-assessable policies were justified in relying on the provisions of the policies, on the certificates of authority given Texas Mutual by the Texas department, and upon the report of the department's examiner. Under the Texas insurance code, as administered by the department, the court decided that

Texas Mutual was incorporated under the laws of Texas on July 9, 1949, with home offices in Beaumont, and began business on July 14, 1949. Active in promotion of the company were Paul R. Lowry, Leslie D. Lowry, and H. S. Lowry, brothers associated with the Leslie Lowry & Co. insurance agency of Beaumont. In the beginning it was authorized to write fire insurance and allied lines, but this authority later was extended to casualty insurance. It confined operations for its first year to Texas, but in 1951 secured licenses in Alabama, Arkansas, Kansas, Louisiana, North Dakota, Virginia and Wyoming. Much of its activity was in the field of automobile liability insurance.

Late in 1952 the home office was moved from Beaumont to Ennis, Texas. During this time the promoters of the company organized three other stock insurance companies—Texas Fire Ins. Co., Texas Western Assur. and Lone Star Casualty—and it has been indicated that the financing of some of these involved Texas Mutual funds.

On Feb. 13, 1953, Texas Mutual was placed in receivership in the 53rd judicial district court in Travis County, Tex., upon petition of the Texas attorney general. W. G. Knox was appointed receiver. He notified agents and policyholders of the company that it had been taken over for liquidation, and prepared a notice of assessment to be sent to policyholders whose policies had been in effect between Feb. 14, 1952, and Feb. 13, 1953. Objection was made to the assessment unless approved by a court order. On July 23, 1953, district court of Travis County approved the levying of an assessment of one year's additional premium upon such policyholders. This order was appealed to Texas court of civil appeals, and was reversed.

During 1951, the last year for which complete figures have been made available, Texas Mutual wrote about \$1,500,000 in premiums, of which about \$1,200,000 was in automobile liability and property damage lines.

Since the policies contained a non-assessable clause, they were in fact, non-assessable.

The appeal of the policyholders claimed that since the commissioners found the company had the surplus required to issue non-assessable policies and the approval of the issuance of such was conclusive of its authority to do so, irrespective of whether in actual fact the surplus existed, the policyholders could not be assessed if the policies were issued prior to the time it was determined that the surplus did not exist. If the liquidator had the right to set aside the finding that Texas

Mutual had such surplus, then the policyholders had the right to set aside the findings of the commissioners that the company had the cash required, and its erroneous action in issuing the company a certificate to do business rendered the policies void and thus prohibited an assessment.

In its decision, the court noted that the company was authorized to begin business on the representation of having \$20,000 in cash on deposit, on which there was no claim. Subsequently, it developed that this \$20,000 had been borrowed, and seven days after Texas Mutual received its certificate of authority, it withdrew the \$20,000 and never replaced it.

It was also shown that the basis for reporting a surplus in excess of \$200,000 was made on the representation of ownership of property valued at \$436,000, which in actual fact was never worth more than \$100,000.

"It was the duty of the chairman of the board and the board as a whole to determine that Texas Mutual had complied with all requirements of the law as a fact before the certificates of authority were issued..." the court said. "We believe the chairman of the board of insurance commissioners, as well as the board, have determined that the alleged surplus existed and that the purchasers of non-assessable policies were justified in relying on the provisions of the policies and on the several certificates of authority issued, as well as the examiner's report, and the several reports made by the board... Each policyholder was induced to become such by reason of the representation that his policy would be non-assessable, and actually the minds of such policyholders and the agent of the company never met upon a contract under which the policyholders might be assessed. It was the duty of the chairman of the board to have the company examined at such intervals as would enable the determination that the surplus actually did or did not exist. We recognize that the organization of the company, its surpluses and its operations is clothed in questionable procedure, and that in all actual probability the company never had the free surpluses as it claimed and as it reported to the board."

In holding that the policyholders were not subject to assessment, the court said it was not unaware of the just claims of the third party claimants or creditors, or that "they should be paid as a matter of moral right, but it was the duty of the chairman of the board, with the aid and advice of the examiners, and the board as such to have more carefully examined and determined the true condition of the company and its organization and at all times during its operation, and having apparently failed to do so, the policyholders are not liable for an assessment."

The appeals court quoted from Gilley vs. Missouri State Life (116 Texas 43, 285 SW 807): "The department of insurance is organized for the very purpose of enforcing the insurance laws. It has no reason for existence, except to enforce the insurance laws. In doing this, many duties are prescribed, but the basis of all of them is to see that the statutes of the state enacted for the protection of the people are complied with by insurance companies. It would be idle to say that under those statutes it is not the duty of the insurance commissioners to see that the insurance companies issue only policies authorized and permitted by the law."

Judge Hughes in his lambasting concurring opinion said the Texas Mutual case "is replete with evidence of fraudulent and corrupt abuse of our insurance laws and gross if not criminal laxness in their enforcement." He charged the records shows no effort having been made to bring to account those responsible. "In fact, the principal transgressor, Paul Lowry of Beaumont, Tex., boasted as late as June 1953 that 'he was still free to walk around the streets.'

The attempt to levy an assessment was labeled by Judge Gardner as an effort "to mullet victimized and innocent policyholders."

He said he was writing his concurring opinion to keep the public informed of the manner in which the business is operated and in which the laws pertaining to it are enforced. The more than 1,600 claimants holding more than \$1,200,000 in claims against Texas Mutual who will be disappointed by the decision should have explained to them "how and by whom this gigantic fraud was perpetrated," he declared.

"That Texas Mutual was conceived in fraud is shown by the false affidavits of Paul and Leslie Lowry of Beaumont, regarding the \$20,000 which the company was required to have as its own in order to produce an authorization from the insurance board to do business," Judge Gardner declared. "\$10,000 of the \$20,000 which the company had on deposit in a Beaumont bank was borrowed from David E. O'Fiel, a Beaumont attorney, and was repaid to him within one week, but, of course, after the bank had certified to the board the amount on deposit. The balance of the \$20,000 was converted by Paul Lowry within the same period of time."

Commenting on the desire of Texas Mutual to write non-assessable business, Judge Gardner reviewed some of the manipulations by which the sur-

plus was fictitiously run up to the point where it could meet the requirements. "Having obtained authority to write non-assessable policies, Texas Mutual faced the problem of continuing this authority in effect. Since Texas Mutual never at any time had the \$200,000 free surplus required by law for this privilege it resorted again to fraud and corruption in order to retain the authority to write this type of policy. The fraud consisted of fake financial reports sworn to by Paul and Leslie Lowry and by rigged and spurious financial transactions which only a warped financial wizard could conjure up or understand. Needless to say, they were all crooked."

Judge Gardner reviewed the manner in which Texas Mutual was able to obtain a clean bill of health from the department examiner. He concluded his opinion with the comments: "This record reveals that Attorney David Hubert O'Fiel refused to answer questions concerning the incorporation of the Texas Fire Ins. Co. on the ground 'that it might be self-incriminating, sir.'

The record shows also that Paul Lowry on more than 15 occasions refused to answer on the ground of self-incrimination.

"The responsibility is with other branches of our state government and with the agencies of the state bar to see that our laws and the ethics of the legal profession are not violated with impunity."

To Equalize Insurance Dividends in New Tax Bill

WASHINGTON—Senate finance committee has adopted a provision so as to treat dividends on all insurance company stocks like dividends of other companies, in the new tax bill. The matter of the proposed 14% credit on dividends to insurance corporations doing business outside the United States has not yet been acted upon, according to information from committee sources.

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Kansas City Insurance Society Elects

New governors of the Insurance Society of Kansas City were elected at the May meeting of the organization, which ended its first year of existence with 116 members.

The governors are William W. Gugel, Underwriters Adjusting; Robert A. Koenigsdorf, Koenigsdorf agency; A. Leonard Milstead, Equity Mutual; William J. Montgomery, Bruce Dodson & Co.; W. D. Neese, Central Surety; Ingolf H. E. Otto, University of Kansas City; John B. Owen, Central Mutual Casualty; Jack V. Riley, Riley agency; Allen B. Rumberger, H. G. Rumberger & Co., and Robert E. Morganthaler, Associated agencies.

Huston Buys Parsons' Louisville Gen'l Agency

W. P. Huston, operating the W. P. Huston Insurance local agency at Louisville, has purchased the E. A. Parsons general agency there, following the death of Emmet A. Parsons last month. The Parsons agency will remain at 1224 Starks building and will retain its present name.

The Huston agency moved last week to a three-story brick building at Highland avenue and Bardstown road in Louisville which was recently purchased by Mr. Huston.

Ill. Golf Outing Scheduled

The annual golf outing of Illinois Blue Goose will be held May 27 at Itasca country club in Itasca, Ill. Golfing will begin about noon after which prizes will be awarded at a dinner. There are attractions planned for non-golfers.

Act Against Lloyds, N. A.

District court at Austin has granted a temporary injunction preventing Lloyds of North America, the Houston insurer that is charged by the Texas attorney general as being about \$500,000 in the hole, from doing business. The court also appointed J. D. Wheeler, liquidator for the Texas department, as a temporary receiver.

Fischer Shifts to K. C.

Hawkeye-Security has named Fred Fischer as underwriting manager at Kansas City. He has been with the company since 1951 at the home office and in Iowa in underwriting capacities, and before that for 4½ years was with Iowa Farm Mutual at Des Moines in the underwriting department.

No Rewriting in W. Va.

West Virginia Inspection Bureau has sent out a notice to companies, field men and agents notifying them that cancellation and rewriting for extended terms of fire policies on dwellings now eligible for a rate increase will not be honored by the audit bureau. This is in line with a directive from the insurance department that efforts to avoid having the insured take a rate increase by rewriting before the effective date of new rates should not be allowed to distort and subvert the actuarial basis of the filings.

Earle Goes into Ore. Field

D. C. Earle has been named special agent in Oregon for New York Underwriters. He will be associated with C. S. Maxwell. Mr. Earle has been with Oregon Inspection Bureau. His headquarters will be at Portland.

Correction on Sterling's Results

An exhibit in the April 15 issue showing 1953 results of companies doing business in Illinois showed an erroneous loss total for Sterling of Chi-

cago. Sterling last year had direct writings in Illinois of \$1,430,658, and paid losses of \$866,448. In an earlier issue reviewing the company's 1953 results, its hospital and medical expense business mistakenly was listed as workmen's compensation.

Portland A&H Assn. Gives Officer Slate

Portland (Ore.) Assn. of A. & H. Underwriters has nominated the following slate of officers: President, E. J. Coffey of Harry K. Coffey & Associates; Gerald H. Switzer, Business Men's Assurance, vice-president, and Harold W. Trueblood, Northwest Accident, secretary-treasurer.

The speaker at the meeting, which welcomed 31 new members and was attended by some 100 members, was J. L. Gilbertson of the Coffey agency. He gave the agents, especially the new men, some ideas on the approach, stressing more need for importance of what the prospect thinks than on what the salesman may think and the value of sincerity to instill confidence in the mind of the prospect. Today's need in the A&H field, he said, is selling business in a manner so that it stays on the books. "The salesman is only telling until he asks for the check. Then he starts selling. Order-taking days are past."

Reports were heard on the tri-city sales congress scheduled to be held at Portland, Sept. 22, and on the annual golf party June 8 at Glendoveer Golf Club.

Connecticut Field Club Elects Ohlinger President

Henry Ohlinger, special agent of Home, has been elected president of Connecticut Field Club, succeeding Lewis A. Geis, Commercial Union special agent at Hartford. Others elected at the annual meeting at Hartford were Horace P. Anderson, Home, New Haven, vice-president; John E. Pinkney, Phoenix Assurance, Woodbury, treasurer, and Walter E. Schiller, Great American, Hartford, secretary.

To Fire Association

Edwin C. Scanlin, Jr., has joined the Maryland field staff of Fire Association as special agent. He began in insurance with Maryland Fire Underwriters Rating Bureau in 1947. He will have headquarters at Baltimore under the direction of Paul E. Hallman, who is acting manager while John H. Beck, resident manager, is on leave.

Grand Rapids Puddle Elects

New officers elected by Grand Rapids puddle of Michigan Blue Goose are: Big Toad, W. W. Page, St. Paul F. & M.; polliwog, Robert Moriarty, Michigan General Agency; croaker, Richard DeBoer, Fireman's Fund; bouncer, Lynn Moore, Home; keeper, Richard Harrold, Home, and tiny polliwog, William Miller, Great Ameri-

15-Day Hearing Notice in Mich.

The Michigan department has amended its procedure rule for conduct of hearings by the commissioner. The rule requiring notice of hearing be mailed 30 days prior to the hearing date has been modified to 15 days.

Hear FBI Man at Cincinnati

Assn. of Casualty & Surety Managers of Cincinnati heard M. B. McShurley, a special agent from the FBI, discuss interlocking interests of the bureau and insurance men.

The new home office building of Kansas Farm Bureau group at Manhattan was dedicated this week.

Cal. Auto Insurers Offer Counter to Compulsory

A 42-page report on behalf of California automobile writing companies has been presented to the state senate interim committee on vehicles and aircraft as an answer to compulsory automobile insurance.

The company report is signed by Victor Montgomery, president of Pacific Employers; Raymond L. Ellis, vice-president of Fireman's Fund; W. F. Gaynor, president of Pacific Indemnity; John R. McKee, president California Casualty Indemnity Exchange, and Thomas E. Leavey, president of Farmers of Los Angeles.

The report suggests a three-way program consisting of unsatisfied judgment insurance, an innocent victim plan, and statutory enactments to implement the program, including an impounding law.

The insurance code would be amended to require inclusion in automobile liability policies of a provision to insure against loss due to inability to collect a judgment for BI or death. An unsatisfied judgment fund corporation would be set up of which all automobile liability insurers would be members, and this agency would administer, defend and pay claims arising out of coverage acquired, and it is proposed that the directors of this agency would also act as trustees and administrators of the innocent victim plan.

Four Named in St. Paul Group Changes in South

St. Paul group has appointed William A. Paden as special agent in Alabama with headquarters at Birmingham. He will work with state agent W. J. S. Cushing. Mr. Paden graduated from the University of Alabama, and has been in the local agency business.

Jack Badenhoop has been appointed special agent for northern Florida with headquarters at Jacksonville, where St. Paul has established a field office in the Florida Title Building. Mr. Ba-

denhoop joined the group after experience as a field man and local agent.

D. O. Copley, special agent at Tampa, will now service the south Florida territory, while W. J. Young, state agent, will continue to have general supervision over the state.

Bernard W. Gaul has been appointed special agent for the bond department of St. Paul at Kansas City.

American Credit Names Nichols to Head Sales

J. Brooks Nichols, Jr., has been appointed to head the newly formed sales promotion department of American Credit Indemnity. An economics major at Yale, after graduation he went with General Foods Corp. and later Equitable Society. Following army service in the last war, he entered the retail business and has experience in management of both plant and sales activity.

Baller Joins Cimarron

Donald A. Baller has gone with Cimarron at Seattle as special agent for western Washington. He resigned as casualty manager of Superior Underwriters, Seattle general agency which he joined as a special agent in 1952. Cimarron has just entered the northwest under the management of Howard Frost, with offices in the Dexter-Horton building, Seattle, and plans a multiple line underwriting program in both Washington and Oregon.

Mr. Baller entered in insurance in 1938 with Seeley & Co. in the fire department. He has also been with the fire department of Hansen & Rowland at Tacoma, was a special agent for Loyalty group in Seattle and state agent for Millers National. He is a U. S. coast guard veteran.

Warner Named at Denver

California Ins. Co. has appointed C. K. Warner as special agent at Denver, replacing Dan Hanifen who has been promoted and transferred to Montana.

Mr. Warner, a graduate of Drake University, has been an underwriter at Denver.

When You're "Figuring" Things Up . . .

Remember You Can

+ Add OUR KNOW-HOW

X Multiply OUR SERVICE

- Subtract YOUR WORRY

= It All Equals GOOD BUSINESS



BITUMINOUS CASUALTY CORPORATION

ROCK ISLAND, ILLINOIS

Specializing

IN WORKMEN'S COMPENSATION AND ALL LINES
OF LIABILITY COVERAGE

Late News Bulletins . . .

(CONTINUED FROM PAGE 1)

to all types of insurers, there has been much interest by fire and casualty companies in the matter.

However, the court did hold that the superintendent's decision is reviewable, which he had argued it was not. The court handing down the decision is not the highest in the state.

W. C. Bureau of N. J. Elects

Compensation Rating & Inspection Bureau of New Jersey has elected Lumbermens Mutual Casualty, Liberty Mutual, New Jersey Manufacturers Casualty, Travelers, Fidelity & Casualty and Employers Liability to the governing board. Bernard Hamilton, manager, reported a 1953 loss ratio of 61.01, compared with 67.89 in 1952. Premiums increased from \$56,688,038 to \$67,711,520.

Direct Writers Win by Default: Seymour

E. J. Seymour, president National Assn. of Insurance Agents, in a talk at the convention of American Assn. of Managing General Agents in Old Point Comfort, Va., charged that stock companies are responsible for the success of direct writers in the automobile field. In the 1930's rates for workmen's compensation were inadequate and the stock company solution was to write as little WC as possible. In recent years automobile rates were inadequate due to inflation and the company solution has been to write as little auto liability as possible. Direct writers were practically forced into leadership in WC, now the same thing has happened in automobile.

NAIA Advances Toale, Hanson and Cross

National Assn. of Insurance Agents has advanced Eugene A. Toale, director of education, to assistant secretary. He will act as staff secretary to the casualty and fidelity-surety committees as well as the agency management and educational committees which he now handles. He will continue to head the educational division.

George S. Hanson was named assistant secretary and will continue as associate counsel. He will handle local board, membership and rural-small lines committees as in the past.

George R. Cross, administrative assistant and convention manager, becomes assistant treasurer. He continues as staff secretary of the fire safety committee.

Fla. Agents Condemn Auto Plan

At its annual convention Florida Assn. of Insurance Agents adopted a resolution deplored and condemning Fire & Casualty Co. of Connecticut and National Fire for the auto insurance plan the former company is using in Florida. Unless the companies immediately stop using the plan, the resolution states, the association will ask NAIA to disseminate the resolution to its entire membership.

NAIB Officers and Directors Meet at Chicago

National Assn. of Insurance Brokers officers and directors met in Chicago May 17-19. Considered on a 17-point agenda were: Cutting auto expense by renewal certificates and single limit policies; the question of whether or not to use regulation 30 of the uniform accounting laws as a guide in rate making; automatic reinstatement clause in fire policies; all-risk policies; federal reinsurance of A&H; a model brokers' licensing and qualification law, and compulsory automobile insurance, to which the association is in definite opposition.

National Council Takes Okla. WC Rate Issue to State Supreme Court

An appeal has been filed by National Council on Compensation Insurance with the Oklahoma supreme court to set aside the insurance board's order reducing compensation rates 20.6%.

The council's appeal says the order should be declared void. It was made without any notice to the council and without opportunity for hearing, contrary to express statutory provisions. The council further contends that the Oklahoma insurance board has no authority or jurisdiction to direct it or any rating organization or insurance company to file any specified schedule of rates on workmen's compensation or to file a specific percentage reduction from the rates on file with the board without notice of hearing or evidence to support the reduction.

The board's order was dated Feb. 15 with an effective date of March 5. When the board refused to adhere to the traditional plan of having compensation rates filed July 1, the council went to court.

The 20.6% reduction ordered represents the total rate increases granted by the former insurance board during its incumbency.

Boston Expands Field Facilities in Conn.

Boston and Old Colony have increased their multiple line field and underwriting services at New Haven. Everett W. Yaps has been appointed casualty underwriter there. He previously has been connected with National Fire and Employers' group.

John E. Lonergan has been named multiple line special agent at New Haven. Until recently he has traveled Connecticut as a multiple line special agent of Loyalty group.

Both men are associated with State Agent John MacKenzie and Special Agent John B. Bruce at 109 Church street, New Haven. The mailing address is now post office box 1831 and the telephone number is State 7-2146.

Olson Joins Reynolds

Thomas F. Olson has been appointed field representative for Reynolds General Agency of Fremont, Neb., effective May 15. For several years Mr. Olson has been with Fred S. James & Co. of Chicago as special agent, and before that was with Johnson & Higgins at Chicago as an underwriter. From 1941 to 1950, Mr. Olson was with Millers National and traveled Kansas and Missouri.

K.C.F.&M. Promotes Thomas, Willhite

Eugene K. Thomas has been elevated to departmental secretary of



Eugene K. Thomas

Kansas City F. & M., and will serve as manager of the marine department and supervisor for the states of Kansas, Oklahoma, Arkansas and Texas.

Mr. Thomas for nine years has been in the Kansas territory as special agent and later as state agent with headquarters at Topeka for K.C.F. & M. He had been before that with Kansas Compensation Rating Bureau, and from 1939 to 1942 he operated his own agency at Topeka. For several years he has been secretary of Kansas Fire Prevention Assn. and general chairman of public relations activities for Kansas Fire Underwriters Assn., as well as secretary of that organization.

Franklin Willhite has been promoted to manager of the fire underwriting department of Kansas City F. & M., and will be assisted by Francis Murphy, as supervisor of division 1, and Donald Stevenson as manager of division 3. Division 2 will continue under the direct supervision of Mr. Willhite, assisted by Emery Evans.

In the field, Wesley G. Jones has been appointed special agent for central and northeast Oklahoma to assist Leonard Bocher, state manager, with headquarters at Tulsa. Charles S. Bolin, who has been in the marine department, has been named special agent in western Missouri, associated with O. P. Rush, vice-president.

Beale Heads New Yorkshire S. W. Unit

Yorkshire group has named Charles L. Beale, formerly Texas state agent, as manager of a new southwestern department at Dallas. Assisting him will be State Agent Fred Pierce. Mr. Beale has been with the group since 1926. He is a past most loyal grand gander of the Blue Goose.

N. J. Outing May 21

The New Jersey Fieldmen's Assn. will hold its annual golf outing and dinner May 21 at Rock Springs Country Club, West Orange.

Mullarkey Special Agent

Patrick V. Mullarkey has been assigned special agent in Queens, N. Y., by Fireman's Fund, with headquarters in the group's eastern department at 116 John street. With the group 2½ years, Mr. Mullarkey had experience in the accounting and underwriting departments in the southern California department in Los Angeles before being transferred to the eastern department in 1953. He has had experience in underwriting of automobile, burglary, compensation and general liability.

Error in Interbureau List

A typographical error caused some confusion in the reporting last week of the companies belonging to Interbureau Insurance Advisory group. Individual company members of Interbureau are Century, Excelsior, New York Underwriters, Union of Canton and U.S.F.&G. The groups belonging to Interbureau are Aetna Life, Amer-

ica Fore, Atlas, Caledonian, Commercial Union, Crum & Forster, Hanover, Hartford Fire, London & Lancashire, Loyalty, National Surety, New Amsterdam, New Hampshire, North British, Phoenix of London, Royal Exchange, Royal-Liverpool, Scottish Union, Standard Accident, Sun, Travelers and Yorkshire.

Minn. A&H Underwriters Elect Devine President

A&H Underwriters of Minnesota have elected J. Peter Devine, general agent Occidental of California, St. Paul, president. Other officers are: Robert L. Gagne, Minneapolis, secretary-treasurer; regional vice-presidents: L. S. Frankson, Rochester; Frank Dick, Mankato; S. W. Markell, Jr., manager National L&C, St. Cloud; Fulton L. Ramond, general agent Indianapolis Life, Duluth, and John Symantiz, general agent Inter-State Assurance, Minneapolis.

Ready to Accept Claims on Defunct Pioneer Mutual

Commissioner Apodaca of New Mexico next week will begin accepting claims against the defunct Pioneer Mutual Compensation of Albuquerque. He has had a conference with the Colorado department.

Pioneer was liquidated May 1 by Santa Fe district court. It has a deficit of something more than \$1 million, and an assessment is being levied to enable the company to pay outstanding claims.

National Board Meeting and Dinner Being Held

National Board is holding its annual meeting and dinner in New York City Thursday. The affair climaxes two weeks of association and bureau annual meetings and luncheons which attracted the top executives of the stock companies from over the country to New York.

Meyers Milwaukee Speaker

Walter G. Meyers, General American Life, Rockford, Ill., discussed "Group Insurance" at a meeting of Milwaukee A&H Underwriters Assn.

The annual meeting has been scheduled for June 3, at which time a dinner will be held in honor of past presidents.

Boat Ride at Austin

Austin puddle of Blue Goose had 45 attend a boat ride on Lake Austin and a barbecue dinner and dance. Guests from the Texas department included R. E. Rustin, actuary; William Clark, assistant actuary, and Dennis DuPriest, chief rater.

Mercer Named in Cal. Field

Myron L. Mercer has been appointed special agent at Oakland, Cal., for Great American. He has for several years been in the San Francisco office.

N. H. Field Men Hear Harvey

Lester S. Harvey, president of New Hampshire Fire, spoke at the May 17 meeting of Mountain Insurance Field Club at Manchester, N. H. The club was to vote on proposed changes of the constitution and by-laws including an amendment to clarify the work of the rules and forms committee.

Great American Names Heavers

George A. Heavers has been appointed special agent for Great American at Minneapolis where he will be associated with State Agent Earl A. Munson and special agents, Don G. Sitzer and Gordon D. Alston. Clark Josten, another special agent there, is on indefinite leave because of illness.

LOYALTY GROUP

FIREMEN'S INSURANCE COMPANY OF NEWARK, NEW JERSEY

DECEMBER 31, 1953

ASSETS

Cash	\$ 5,912,197.98	Reserve for Losses	\$ 16,723,394.59
Mortgage Loans on Real Estate	995,304.57	Reserve for Unearned Premiums	57,852,314.71
*Bonds and Stocks	116,551,150.52	Reserve for Taxes and Expenses	4,108,133.00
Interest due and accrued	146,025.98	Reserve for other Liabilities	6,385,449.65
Premiums not over 90 days due	5,116,346.70	Capital	11,575,000.00
Real Estate	3,341,000.00	Net Surplus	45,465,365.58
All other Assets	10,047,631.78		
Total admitted Assets	\$142,109,657.53	Total	\$142,109,657.53

SURPLUS TO POLICYHOLDERS \$57,040,365.58

Securities carried at \$3,094,994.84 in the above statement are deposited as required by law.

GIRARD INSURANCE COMPANY OF PHILADELPHIA, PA.

DECEMBER 31, 1953

ASSETS

Cash	\$ 675,016.05	Reserve for Losses	\$ 1,747,220.33
Mortgage Loans on Real Estate	2,398.55	Reserve for Unearned Premiums	6,427,869.68
*Bonds and Stocks	10,936,351.46	Reserve for Taxes and Expenses	459,593.00
Interest due and accrued	35,716.80	Reserve for other Liabilities	99,051.56
Premiums not over 90 days due	1,636,387.84	Capital	1,000,000.00
Real Estate	170,000.00	Net Surplus	3,802,558.78
All other Assets	80,422.65		
Total admitted Assets	\$13,536,293.35	Total	\$13,536,293.35

SURPLUS TO POLICYHOLDERS \$4,802,558.78

Securities carried at \$769,147.96 in the above statement are deposited as required by law.

NATIONAL-BEN FRANKLIN INSURANCE COMPANY OF PITTSBURGH, PA.

DECEMBER 31, 1953

ASSETS

Cash	\$ 749,147.45	Reserve for Losses	\$ 1,747,220.33
*Bonds and Stocks	10,865,004.08	Reserve for Unearned Premiums	6,044,271.68
Interest due and accrued	34,486.89	Reserve for Taxes and Expenses	458,393.00
Premiums not over 90 days due	1,658,891.85	Reserve for other Liabilities	61,551.67
Real Estate	75,000.00	Capital	1,000,000.00
All other Assets	95,235.45	Net Surplus	4,166,329.04
Total admitted Assets	\$13,477,765.72	Total	\$13,477,765.72

SURPLUS TO POLICYHOLDERS \$5,166,329.04

Securities carried at \$1,714,939.27 in the above statement are deposited as required by law.

MILWAUKEE INSURANCE COMPANY OF MILWAUKEE, WIS.

DECEMBER 31, 1953

ASSETS

Cash	\$ 1,323,464.85	Reserve for Losses	\$ 4,742,455.18
Mortgage Loans on Real Estate	365,927.41	Reserve for Unearned Premiums	16,405,880.27
*Bonds and Stocks	30,253,368.57	Reserve for Taxes and Expenses	1,263,131.00
Interest due and accrued	68,148.84	Reserve for other Liabilities	24,341.29
Premiums not over 90 days due	2,806,477.72	Capital	3,000,000.00
All other Assets	209,099.66	Net Surplus	9,590,679.31
Total admitted Assets	\$35,026,487.05	Total	\$35,026,487.05

SURPLUS TO POLICYHOLDERS \$12,590,679.31

Securities carried at \$2,616,996.36 in the above statement are deposited as required by law.

ROYAL GENERAL INSURANCE COMPANY OF CANADA

DECEMBER 31, 1953

ASSETS

Cash	\$ 32,782.26	Reserve for Taxes and Expenses	\$ 1,270.17
Bonds and Stocks	393,120.34	Capital	100,000.00
Interest due and accrued	3,510.00	Net Surplus	357,405.24
Premiums not over 90 days due	17,262.81		
All other Assets	12,000.00	Total	\$458,675.41
Total admitted Assets	\$458,675.41		

SURPLUS TO POLICYHOLDERS \$457,405.24

Securities carried at \$55,600.15 in the above statement are deposited as required by law.

THE METROPOLITAN CASUALTY INSURANCE COMPANY OF NEW YORK

DECEMBER 31, 1953

ASSETS

Cash	\$ 2,727,709.52	Reserve for Losses	\$ 17,267,043.00
Mortgage Loans on Real Estate	58,827.13	Reserve for Unearned Premiums	12,541,373.93
*Bonds and Stocks	35,814,363.79	Reserve for Taxes and Expenses	3,048,186.22
Interest due and accrued	104,544.19	Reserve for other Liabilities	460,813.73
Premiums not over 90 days due	3,145,227.05	Capital	1,500,000.00
All other Assets	584,756.36	Net Surplus	7,618,111.16
Total admitted Assets	\$42,435,428.04	Total	\$42,435,428.04

SURPLUS TO POLICYHOLDERS \$9,118,011.16

Securities carried at \$4,241,375.40 in the above statement are deposited as required by law.

COMMERCIAL INSURANCE COMPANY OF NEWARK, N. J.

DECEMBER 31, 1953

ASSETS

Cash	\$ 2,264,188.01	Reserve for Losses	\$ 20,702,575.00
Mortgage Loans on Real Estate	481,408.74	Reserve for Unearned Premiums	14,097,900.49
*Bonds and Stocks	42,081,155.04	Reserve for Taxes and Expenses	2,776,597.41
Interest due and accrued	98,969.31	Reserve for other Liabilities	844,774.37
Premiums not over 90 days due	3,163,109.50	Capital	2,000,000.00
All other Assets	481,861.81	Net Surplus	8,148,845.14
Total admitted Assets	\$48,570,692.41	Total	\$48,570,692.41

SURPLUS TO POLICYHOLDERS \$10,148,845.14

Securities carried at \$1,504,929.02 in the above statement are deposited as required by law.

*Valuations on basis prescribed by National Association of Insurance Commissioners.

HOME OFFICE

10 PARK PLACE, NEWARK 1, NEW JERSEY

Foreign Department

102 Maiden Lane, New York 5, New York

Western Department
120 So. LaSalle St., Chicago 3, Illinois

Southwestern Department
912 Commerce St., Dallas 22, Texas

Pacific Department
220 Bush St., San Francisco 6, Calif.

Canadian Departments
800 Bay St., Toronto 2, Ontario
535 Homer St., Vancouver 3, B. C.

Reinsurance

CASUALTY
FIDELITY
SURETY
ACCIDENT
& HEALTH
FIRE AND
ALLIED LINES

Employers Reinsurance Corporation

KANSAS CITY, MISSOURI

NEW YORK
107 William St.

CHICAGO
175 W. Jackson

SAN FRANCISCO
114 Sansome

LOS ANGELES
1141 W. 6th